

Exhibit D

Appraisal Report

640 Woodland Sq. Loop SE | Lacey, WA

as of January 1, 2017



Prepared for

Seahawk Portfolio, LLC, Mariners
Portfolio, LLC, WA Portfolio, LLC, and
Olympia Office, LLC

Scott Switzer

Prepared by

David Chudzik, Ph.D., MAI

Crosby Nordblom

KM Job A16-0972

Kidder Mathews

Valuation Advisory Services

601 Union Street, Suite 4720
Seattle, WA 98101

206.205.0200 | Fax 206.205.0220
dchudzik@kiddermathews.com
kiddermathews.com

November 8, 2016

Mr. Scott Switzer
Seahawk Portfolio, LLC, Mariners Portfolio, LLC, WA Portfolio, LLC, and Olympia Office, LLC
10900 4th Ave., Suite 2300
Bellevue, WA 98004

Re: 640 Woodland Sq. Loop SE
Lacey, WA 98168

Dear Mr. Switzer:

At your request, we have prepared an appraisal of the above-referenced property, which is fully described in the attached appraisal report. As requested, we have estimated the market value of the subject, with an effective appraisal date of January 1st, 2017. This value is based on the extraordinary assumption that all remaining property improvements will be completed and paid in full by the end of 2016, as indicated by the receiver. We have inspected the subject property and obtained data regarding other similar real estate in the area.

This report has been prepared in conformance with the current Uniform Standards of Professional Appraisal Practice (USPAP). In addition, our services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA). This report is intended for purposes related to negotiating and restructuring mortgage loans related to the subject, to be used by the client (Seahawks Portfolio LLC, Mariners Portfolio LLC, WA Portfolio LLC, and Olympia Office LLC).

As a result of our investigation and analysis, we have concluded that the market value of the leased fee interest in the subject real estate, subject to the limiting conditions and assumptions contained herein, is:

Prospective Market Value, Leased Fee, as of January 1, 2017 **\$13,200,000**

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'David Chudzik'.

David Chudzik, Ph.D., MAI
State-certified General Real Estate
Appraiser #1102099

A handwritten signature in blue ink, appearing to read 'Crosby Nordblom'.

Crosby Nordblom
State-Registered Real Estate Trainee
Appraiser #1001854

DC-CN/em

Certification

We certify that, to the best of our knowledge and belief:

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 3) We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- 4) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 7) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 8) We have made a personal inspection of the property that is the subject of this report.
- 9) We have not provided professional appraisal or consulting services concerning the subject property within the past three years.
- 10) No one provided significant real property appraisal assistance to the persons signing this certification.
- 11) The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and conforms with the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA).
- 12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 13) As of the date of this report, David Chudzik, Ph.D., MAI, has completed the continuing education program for Designated Members of the Appraisal Institute, and Crosby Nordblom, Practicing Affiliate, has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Practicing Affiliates.



David Chudzik, Ph.D., MAI
State-certified General Real Estate
Appraiser #1102099



Crosby Nordblom
State-Registered Real Estate Trainee
Appraiser #1001854

Limiting Conditions

Limiting conditions specific to this appraisal are:

- 1) Physical dimensions for the property were taken from public records or from information provided, and the appraisers assume no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
- 2) We are assuming that there are no hidden or unapparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
- 3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
- 4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 5) The appraisers are not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.
- 6) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately in conjunction with any other appraisal.
- 7) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed, and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the appraisers. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraisers.

Table of Contents

Certification	ii
Limiting Conditions	iii
Summary of Appraisal	1
Market Overview	13
REGIONAL DATA	15
Office Market Overview	24
Property Description	29
Highest & Best Use	34
Sales Comparison Approach	36
Income Capitalization Approach	43
Reconciliation & Final Value Opinion	57
ADDENDUM	
Engagement Letter	
Title Report	
Improvement Schedule	
Receivership Letter	
Appraisers' Experience Data	

Summary of Appraisal

Summary of Appraisal

Identity of Property 640 Woodland Sq. Loop SE
Lacey, WA 98168

Property Description The subject is a four-story office building located in Lacey's Woodland District, which is a substantial pocket of office uses focused on government tenancies. It has good access and receives average exposure, as it has no frontage along local arterials. The 2000, reinforced-concrete structure contains 84,996 sq ft of rentable area per the rent roll provided. It is 83% occupied by a single government tenant, the Employment Security Department, which recently signed a 5-year renewal through June of 2021 at a flat \$19.40/sq ft on a full service basis. They recently vacated 11,700 sq ft of office on the 1st floor as part of their renewal.

In addition, there is a 2,847 sq ft add-on to the western face of the building that has been significantly damaged because of a leaking roof. Roughly \$250k in repairs to the add-on roof and envelope are to be made by the end of 2016. This will leave the roof and frame in functional condition, but it will need to be built-out significantly for tenancy.

Per the receivership report, all building repairs, TI allowances, and lease commissions are to be completed and paid in full by the end of 2016. Overall, the building is in good condition with a functional layout.

The subject includes three parcels, all zoned Woodland District by the City of Lacey. Parking is slightly below average at a ratio of 2.3 stalls per 1,000 sq ft of rentable area. This ratio includes 53 parking stalls from the parking lot to the south (APN #84990001100), which is under the same ownership as the subject. These additional stalls are not supporting a specific building and are allocated in our appraisal to best support the ownership's portfolio as a whole. This report assumes that a parking easement would be put in place to benefit the subject property.

ADDRESS 640 Woodland Sq. Loop SE
Lacey, WA 98168

**ASSESSOR'S TAX
PARCEL NUMBER** 84990003600, -3500, -3400

LEGAL DESCRIPTION The legal description of the subject property is as follows:

*LOTS 34 THROUGH 36 OF WOODLAND SQUARE, AS PER
PLAT RECORDED IN VOLUME 20 OF PLATS, PAGES 103 AND
104, RECORDS OF THURSTON COUNTY, WASHINGTON.*

Ownership History Per public records, the property is collectively owned by a group of LLCs – Seahawk Portfolio, LLC (30%), Mariners Portfolio, LLC (10%), WA Portfolio, LLC (30%), and (30%) Olympia Office, LLC. Title was transferred to these entities through a quitclaim deed on September 23rd, 2016 from CDC Properties I, LLC for a recorded amount of \$0. This is not considered to be a true real estate sale.

On March 9th, 2016, the process to foreclose on the subject was started and a notice of trustee's sale was issued on July 5th, 2016. It was to sell at public auction on October 21st, 2016, but the new owner entity has postponed this process with a stay of foreclosure.

There have been no other sales or listings of the property in the past five years that were reported by the current owners or noted in public records.

Property Rights Appraised This is an appraisal of the leased fee estate. The definition of "leased fee estate" is as follows:

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Source: The Dictionary of Real Estate Appraisal, Sixth Edition. Chicago: Appraisal Institute, 2015.

Purpose of Appraisal The purpose of this appraisal is to estimate the market value of the subject property. The term "Market Value" is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to the buyer under conditions whereby:

- a. the buyer and seller are typically motivated;*
- b. both parties are well informed or well advised, and acting in what they consider their own best interests;*

- c. a reasonable time is allowed for exposure in the open market;*
- d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [g].

Scope of Work

The subject property is appraised based on the following scope of work.

- The subject contains 102,715 sq ft of land. It is improved with a four-story, office structure originally built in 2000. An inspection of the property was completed on October 14, 2016.
- This appraisal utilizes the extraordinary assumption that the remaining property improvements will be completed and paid in full by the end of 2016, as indicated by the receiver. The effective appraisal date of this report is January 1, 2017.
- This report also makes the assumption that a parking easement would be put in place across the parcel directly to the south (APN #84990001100) to benefit the subject property. This parcel is under the same ownership as the subject and contains excess parking that does not supporting a specific building.
- In this report, the Sales Comparison and Income Capitalization Approaches are used. The Cost Approach is not employed as typical market buyers and sellers would not use this approach in valuing buildings like the subject.
- The research of data included both general and specific data. Sources of general data that are included in the market trends and neighborhood description were obtained from various private and governmental sources.
- Specific data concerning the subject was obtained from various sources including the owner (leases, income statements, environmental reports, title report, and rent roll) and the Thurston County Assessor (zoning, assessed values and real estate taxes).

- Data compiled in the analysis of the building sales was obtained from CoStar, CBA (Commercial Broker Association), as well as Kidder Mathews' own in-house data files. Rental data was obtained from leasing agents, public records, and in-house data files on competing properties.
- All of the sales and rental data were confirmed with a party involved in the transaction and/or through public records.
- The reconciliation and final value opinion(s) is based on an overview of which approach or approaches we believe are the best indicators of value for the subject.

Intended Use/User(s) This report is to be used by the client (Seahawk Portfolio, LLC, Mariners Portfolio, LLC, WA Portfolio, LLC, and Olympia Office, LLC) with regards to purposes related to negotiating and restructuring mortgage loans related to the subject.

Approaches to Value & Final Value Prospective Market Value, Leased Fee, as of January 1, 2017

Conclusion	Sales Comparison Approach	\$13,200,000
	Income Capitalization Approach	\$13,200,000
	Value Conclusion	\$13,200,000

Extraordinary Assumptions This report utilizes the following extraordinary assumptions:

- All remaining property improvements will be completed and paid in full by the end of 2016, as indicated by the receiver. These include add-on roof/envelope repairs (\$250,650), other landlord repair and maintenance items (\$1,583,733.20), TI allowance (\$360,000), and lease commissions (\$170,838.33). It is also assumed that no significant market changes will take place between today and the effective date of value.
- A parking easement is in place across the parcel directly to the south (APN #84990001100) to benefit the subject property. This parcel is under the same ownership as the subject and contains excess parking that does not supporting a specific building.
- The subject shares an HVAC plant with the adjacent office building at 4565 7th Ave. These are both currently under the same ownership. It is assumed that a mutual agreement is in place for

the shared operation and maintenance of the facility.

Hypothetical Conditions	None
Date of Report	November 8, 2016
Date of Last Inspection	October 14, 2016
Effective Date of Appraisal	January 1, 2017
Marketing Time	6 to 9 Months
Exposure Time	6 to 9 Months



Aerial Map

Subject Photographs

View of subject from the west,
with add-on section visible



View of subject (on right) from
Huntamer Park, with the shared
HVAC plant structure visible



View of subject from parking lot



Subject Photographs

View of add-on, heavy water damage visible



Additional view of add-on

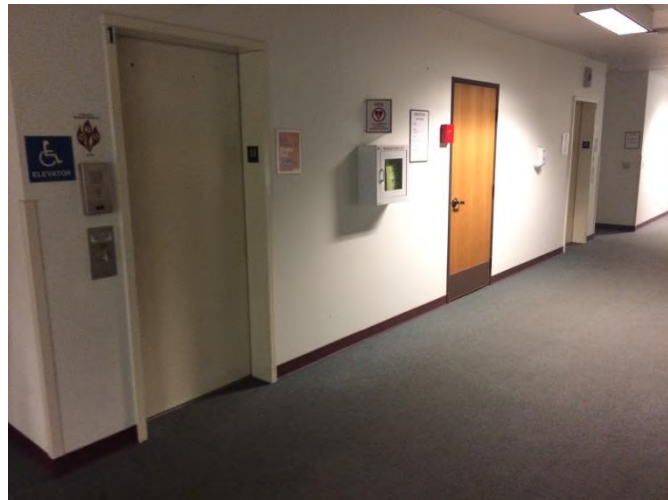


Interior view of subject



Subject Photographs

View of core hallway housing
its two elevators



Additional view of subject
interior



Additional view of subject
interior



Subject Photographs

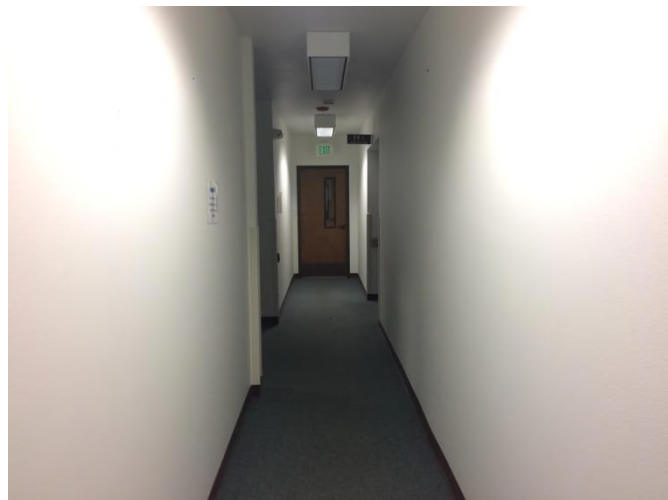
Additional view of subject
interior



Additional view of subject
interior



Additional view of subject
interior



Subject Photographs

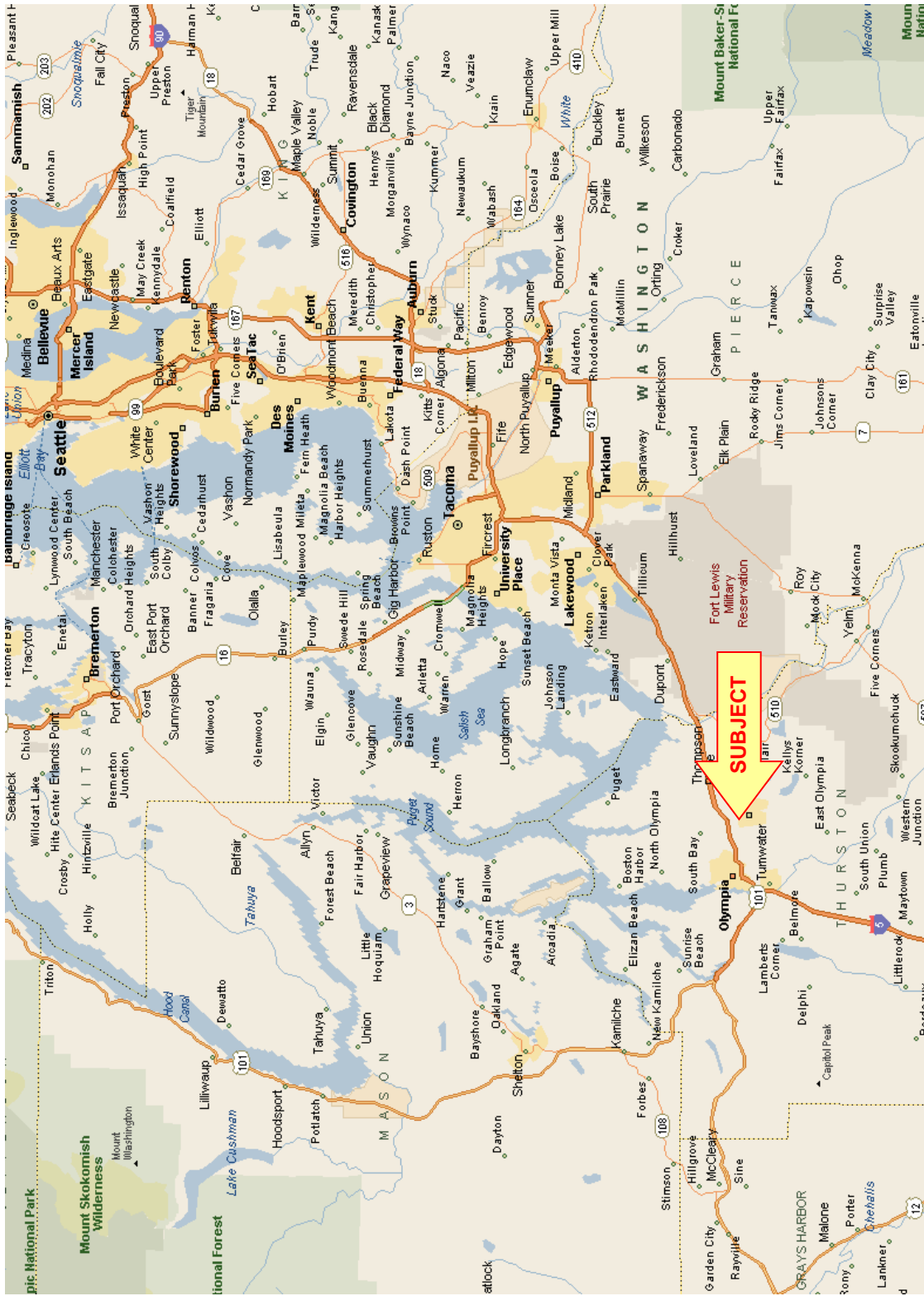
View of 1st floor vacancy



Additional view of 1st floor vacancy



Market Overview



Regional Map

Regional Overview

Introduction

The subject is located in Thurston County, which is part of the four county Puget Sound MSA. The core of the market is comprised of King, Snohomish and Pierce counties. Thurston is at the south end and Kitsap is on the northwest side.

National Overview

The national recovery has now lasted four years with job growth continuing with only minor pauses during the past two quarters. The gain outside of base wage jobs that started in 2015 has slowed but is still trending upward. 2015 ended with 2.53 million new jobs, an increase of 2.1%. This follows 2.26 million in 2014 and 2.25 million in 2013. The forecast for 2016 is a further increase by 1.8%. If the 2016 projection is on track, the unemployment rate will drop below 5.0%. Unemployment was 5.0% in March 2016, 50 basis points (bps) down from March 2015.

The GDP growth rate for 2015 was 2.4%, the same as 2014, and down slightly from 3.13% in 2013. The forecast for 2016 is GDP growth of 2.1% and 2017 bouncing back up to 2.4%.

Inflation remains under control, at 0.1% in 2015 following 1.6% in 2014 and 1.3% in 2013. The forecast has been revised to 1.3% for 2016 then increasing to 2.3% in 2017. Modest GDP and inflation has prevented the Federal Reserve from significantly increasing interest rates.

Regional and National Economic Indicators

forecast

Annual Change	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Puget Sound Region											
Employment	0.9%	-4.9%	-1.7%	1.6%	2.3%	2.8%	2.8%	2.9%	1.8%	1.6%	1.2%
Personal Income	3.1%	1.6%	2.5%	6.1%	4.9%	2.6%	6.2%	5.3%	4.3%	5.2%	4.9%
Consumer Price Index	4.3%	0.6%	0.3%	2.6%	2.5%	1.3%	1.8%	1.4%	1.4%	2.4%	2.4%
Housing Permits	-43.0%	-50.1%	31.5%	11.9%	51.8%	8.9%	16.9%	19.8%	-19.3%	2.2%	4.7%
Population	1.4%	1.5%	1.0%	1.0%	1.3%	1.4%	1.4%	1.3%	1.3%	1.2%	1.0%
United States											
Employment	-0.6%	-4.4%	-0.7%	1.2%	1.7%	1.7%	1.9%	2.1%	1.8%	1.4%	1.1%
Personal Income	2.9%	-1.7%	3.7%	5.1%	4.2%	2.0%	4.4%	4.5%	4.4%	4.7%	4.8%
Consumer Price Index	3.8%	-0.3%	1.6%	3.2%	2.1%	1.5%	1.6%	0.1%	1.3%	2.3%	2.4%
Housing Starts	-32.9%	-38.4%	5.6%	4.5%	28.0%	18.7%	7.8%	10.6%	12.9%	9.6%	7.3%

Source: The Puget Sound Economic Forecaster, March 2016

Income and sales tax revenues continue a path of sporadic increases, providing limited economic lift. Home sales continue to be strong, although new homes were restricted somewhat by low inventory in the 1st

quarter. Prices continue to move up, especially in the top markets. Consumer confidence increased to 93.1 in November 2015 as measured by the Thomas Reuters/University of Michigan Index of Consumer Sentiment. This was up from 88.8 a year previously and from 90.3 in October. The positive outlook remains stratified with working wage household sentiment more pessimistic. Perhaps anticipating slower long-term growth, the Measure of CEO Confidence continued its slow downward trend, hitting 48 as of the 3rd quarter report, down from 57 in the 1st quarter 2015. On the positive side, help wanted online listings increased by 172,300 in October, continuing an upward trend that started earlier in 2015.

Regional Overview

The Puget Sound region is one of the best performing areas of the nation. Employment growth was 65% higher than the national average in 2013, 47% in 2014 and 38% in 2015. Since the depth of the recession in early 2010, the region has added nearly 400,000 new jobs. A positive trend over the past year was an expansion of the job growth out from the core companies, specifically Amazon and other tech firms. The growth has also been strong in the lower wage categories, even with the recent increases in the State and Seattle minimum wages. The retail category has done well as retail sales have improved for 12 quarters year over year. Employment growth was 2.8% in 2014 and 2.9% in 2015 and 4.2% for the 12 months ending in September 2016.

With the strong employment growth and geographic constraints, the region is in demand for national and international investors. Apartments remain at a plateau at the peak of the cycle as prices continue to increase even as a large number of new units were delivered to the market and rent growth has started to moderate. Most of the office based employment growth has occurred in the Seattle and Bellevue CBDs in King County, and these two markets have seen the bulk of new development. Industrial real estate has strong occupancy and high prices with institutions looking for traditional warehouse product and owner users dominating close in Seattle markets. The retail market is strong in core trade areas. Daily needs retail—food and drugs—is the strongest sector. New home inventories are low and infill construction is active.

Population

During the past 40 years, the population of Washington has grown by an average of approximately 20% per decade, according to the Puget Sound Regional Council (PSRC). The five counties that comprise the Central Puget Sound Region and account for 59% of Washington's 2015 population (7,061,410) experienced a population increase of 13.7% during the previous decade. The region's growth rate was 1.3% in 2015,

following 2014 at 1.4%, with in-migration fueled by job growth. Preliminary estimates for 2016 are for 1.3% growth.

Employment

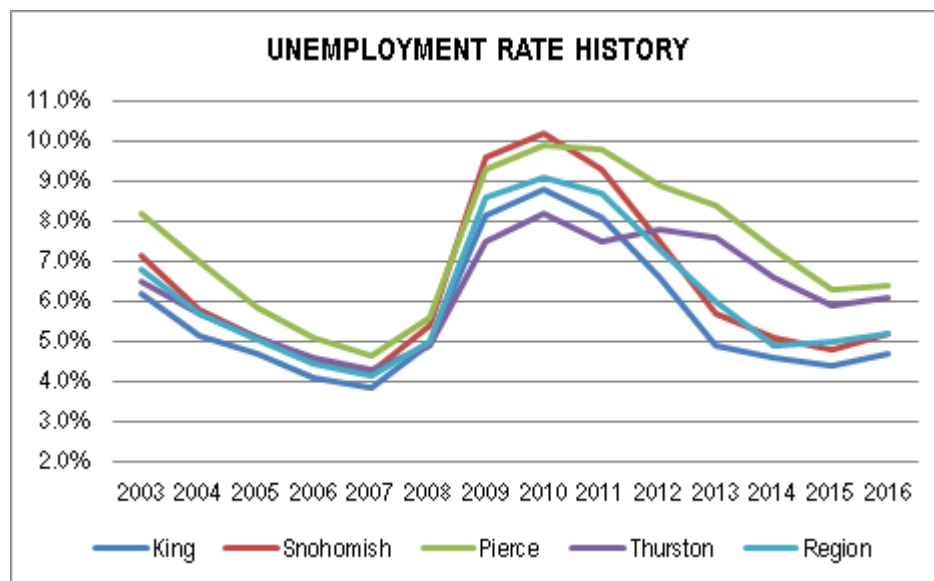
Regional employment is at an all-time high, well above the previous high in 2009. The recovery began in 2011. Year over year employment growth was a robust 4.2%, ranging from mild growth of 1.5% in Kitsap to 4.8% in King and Snohomish.

Non-Farm Employment

County	SEPTEMBER 2015		SEPTEMBER 2016	
	Jobs	Unemployment	Jobs	Unemployment
King	1,123,838	4.6%	1,177,410	4.0%
Snohomish	382,221	4.9%	400,553	4.3%
Pierce	366,110	5.8%	378,562	6.0%
Thurston	117,443	5.4%	120,042	5.7%
Kitsap	108,117	5.0%	109,741	5.7%

Source: Washington State Employment Security Department

In the individual projections, King and Snohomish showed the fastest recovery. Pierce and Thurston have taken more time with the cut back of government jobs kicking the rate back up in 2012.



Source: Washington State Employment Security Department

The unemployment rate is expected to continue to decline, moderated slightly by the return to the labor force of those persons uncouncted (unemployed but not actively seeking employment) and under-employed, both of whom are not reflected in the current calculation.

Amazon has been the biggest single contributor to employment growth. The company's employment in the state is about 24,000, almost all in Seattle. Amazon shows no signs of slowing anytime soon. The company's confidence in that was underlined by the construction on the first two of three 1.1 million sq ft office buildings for its own use, in addition to announcing leases for 1.3 million sq ft in other Seattle projects. Microsoft had more local employees at 43,618 at the end of 2015 but the growth rate is much lower. Significant expansions are being made by Facebook, Tableau, Zillow, and Google.

The region's largest employer remains Boeing with a total of 77,671 employees in Washington, almost all of those in King, Snohomish, and Pierce counties. However, Boeing continues to reduce jobs, dropping 2,528 between January 2015 and March 2016. Boeing employment was 6.3% of the region in 1997 and this has declined to 3.9% in 2016. There is less hope of a future increase as Boeing has diversified in other states.

Economic Indicators

The finance, insurance, and real estate (FIRE) and construction sectors have recovered as commercial and residential construction continues to expand. Manufacturing losses were led by those Boeing jobs, with a myriad of smaller companies cutting back by smaller amounts. Many of those Boeing jobs have now been lost. Retail job gains follow the increases in retail sales volume. Sales growth continues its fifth year of increases with a robust gain in 2015, the strongest rate in 12 years.

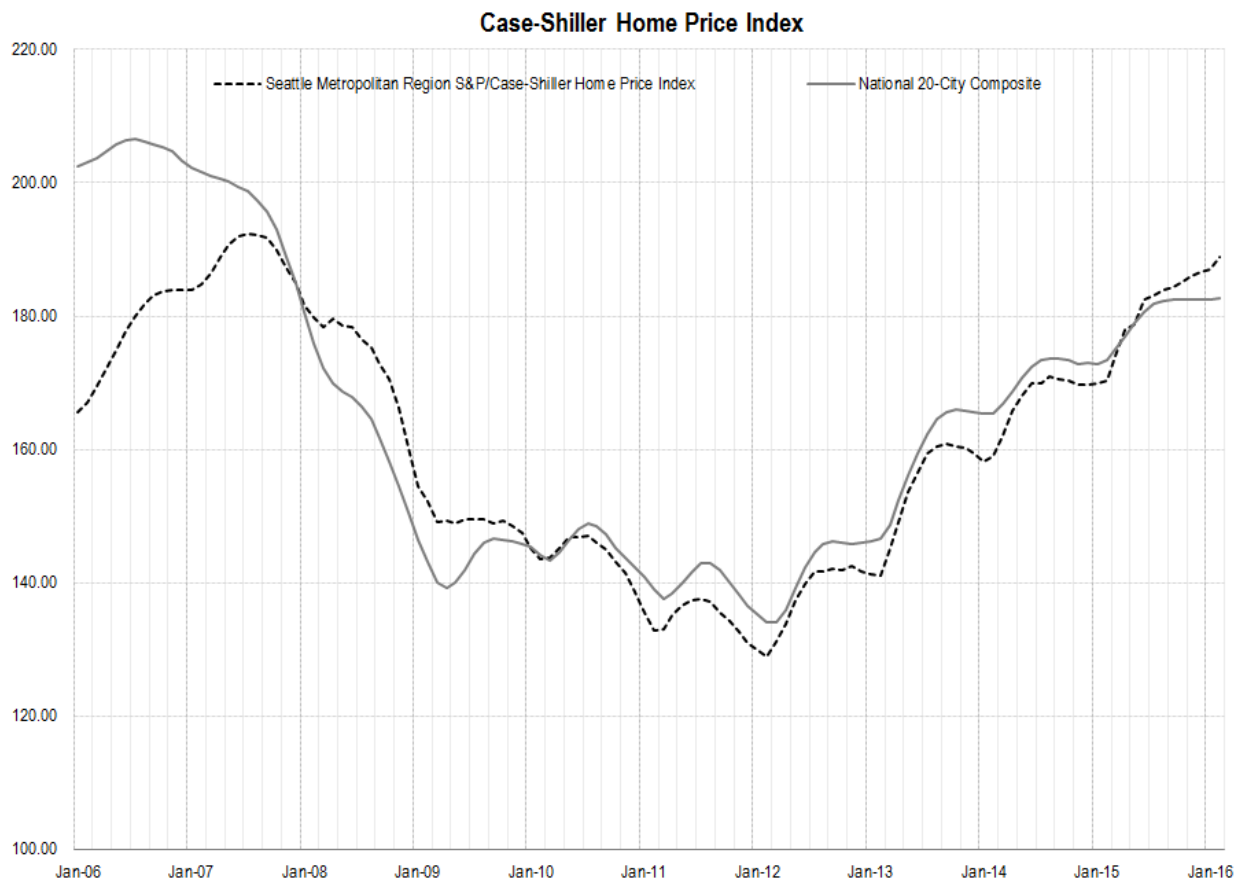
Washington State Retail Sales (\$,000)

	2015	2014	2013	2012	2011	2010
4Q	35,979,968	33,372,252	31,172,889	29,435,885	2,7890,822	26,780,864
3Q	35,837,473	33,249,625	28,788,875	28,766,782	27,293,863	26,469,373
2Q	33,856,679	30,973,320	28,998,096	26,803,035	25,613,078	24,895,067
1Q	29,689,766	27,248,916	25,985,522	24,028,170	22,943,062	22,629,812
Total	135,363,886	124,844,113	114,945,382	109,033,872	103,740,825	100,777,126
Change	9.1%	8.6%	5.4%	5.1%	2.9%	-0.1%

Personal income increased an average of 4.2% between 2010 and 2014, spiking at 6.5% in 2014. The forecast is 5.3% in 2016 and 4.3% in 2017. These gains are amplified by low inflation, which averaged 1.9% over the past five years. The CPI increase for 2015 was 1.4%, expected to increase to 2.4% in 2016 and 2017.

Regional Housing Market

The housing market has shown varying levels of recovery, based on location and price point. Sales started to recover in 2012 with a 20% increase in King and Snohomish Counties. Pierce County remained soft, increasing only 3.5%, reflecting a lack of job growth. Values also first started to recover in 2012. These trends continued through 2015. King County sales increased by 10.8% in 2015, with new home sales up 9.2%. Snohomish was up 0.8% and Pierce showed pent up demand with sales up 2.8% after increasing 22% in 2013. Sales volume increased 18.4% in Snohomish in 2015 (27.0% in new construction) and 16.7% (3.6% new) in Pierce. Median prices were up 8.1% in King, 8.9% in Snohomish, and 8.7% in Pierce in 2015.



Standard & Poor's Case-Shiller Index improved for each month since May 2012 except for some minor seasonal dips in the 3rd quarters of 2013–2015. Improvement was 12.2% in 2013, 6.5% in 2014, and 9.9% in 2015, and continued up through the first two months of 2016. Prices are now only 1.8% from the peak prior to the recession (better than the national prices still down 11.5%). Improvement has been stronger in Seattle's

close-in neighborhoods and on the Eastside around Bellevue. In those markets, inventory levels are very low, creating over-bids in popular neighborhoods. Housing-permit activity increased by 16.9% in 2014 and 19.8% in 2015. That is forecast to reverse with a 19.3% decrease in 2016 as builders keep inventories low and close-in sites are rare. Permits are then expected to increase at moderate 2.2% to 4.7% rates in 2017/2018.

Commercial Real Estate Markets

The region ranks in the top five national investment markets. Class A core apartments, office, retail, and industrial properties are all still on the institutional buyers' list with strong demand and pricing. Apartments have been at the top of the cycle for several quarters now. The other categories are still ascending. Vacancy rates in the region are as follows:

Regional Vacancy Rates - 3Q 2016

Segment	Seattle	King	Pierce	Snohomish	Kitsap	Thurston
Office	6.9%	7.2%	7.1%	6.4%	7.2%	6.7%
Industrial	1.9%	2.7%	5.4%	3.9%	1.4%	2.5%
Apartment	4.0%	3.7%	2.8%	4.0%	2.3%	2.6%
Retail	2.0%	3.1%	4.9%	4.3%	6.8%	4.4%

Source: CoStar, Dupre+Scott (apartment)

Even though rent growth in the apartment market has started to moderate, prices continue to increase as cap rates remain very low, tied to low interest rates and the low perceived risk. This will be tested as new construction deliveries peak in 2016/2017 in both the apartment and office categories. The apartment market continues to expand with nearly 19,000 units under construction in the region. The bulk of those are in larger projects in the area around the Seattle CBD, but development has begun to increase in the suburban markets as well.

The office market has seen most demand in the core markets like Seattle and Bellevue CBDs. Amazon is building for itself and remains one of the top lessees as well. Developers are doing build-to-suits for Facebook, Google, and Tableau.

Industrial leasing is strong. This may be a factor of higher rents that are up more than 20% over the past three years. Retail has shown improvement, with vacancy down and rental rates moving up in stable and strong trade areas. Both industrial and retail markets have been boosted by increased retail sales.

The lodging market has continued to improve, reflecting the tourist draw of the region and strong conference business. Long term, each sector's expansion is limited by available land, a major reason that investors rank the region so highly.

Investors have begun to back off on some pricing parameters with fewer rent spikes and increased terminal capitalization rates as eventual interest rate growth is acknowledged. That factor will likely have an effect on going-in rates at the next increase as the previous one was absorbed via lower equity return. Many investors do not plan to repeat that adjustment.

**Area Market
Summary**

The long-term outlook for the region continues to be better than most markets nationwide. The recovery has been strong for four years. Job growth may have peaked in 2015 with 2.9% growth, but the projected fall-off has repeatedly been reduced. Retail sales showed a very strong increase in 2015, with only minor signs of slowing so far in 2016. The region is expected to outperform most of the nation, based on the diversified core of the economy anchored by Microsoft, Amazon, and Boeing as specific examples. Even though two of those three shed jobs in 2014 and in early 2015, those losses were covered by the growth of Amazon and other tech companies.

Most of the local real estate markets are in some level of ascendance, or extended peak-plateau. Apartments are perched at a plateau with no signs of descent near-term. Investment activity continues to increase primarily in the best quality properties in all categories by institutional investors. Sales have increased in the value-add sector of the office, apartment, and retail markets as the returns available on Class A properties are squeezed by high demand.

2014 and 2015 were both stronger years than initially forecast across the region. The forecasts for 2016 appear to be conservative, and job growth has not yet slowed. If the rate of growth slows in 2017, this will test the apartment market since a large number of units are scheduled for completion in 2016 and 2017. It should have less effect on the office and retail categories where demand for space tends to lag job growth by a few quarters. The real estate markets in the region have solid fundamentals due to the broad-based economy.

Neighborhood Description

Introduction

The subject is located in the north-central portion of incorporated Lacey, Thurston County. Olympia is adjacent directly to the west and the Hawk's Prairie retail and industrial area is to the east. A location map is shown on the previous page, with the subject's location noted. The subject is part of the Lacey's primary retail and office node that follows on both sides of I-5 and Martin Rd. between Boulevard Rd. to the west and Marvin Rd. to the east. This commercial concentration serves Tumwater, Olympia and Yelm. The subject's immediate neighborhood is moving toward office uses, and new retail development is most active at the intersection of Marvin Rd. and I-5.

Nearby and Adjacent Land Uses

The subject is part of the micro-market of office and retail space between College and Sleater-Kinney Rd. SE. I-5 is nearly adjacent to the north and the south boundary of the immediate neighborhood is Pacific Ave. SE, a major east-west thoroughfare. Overall, there has been very little change in the neighborhood in recent years. Vacancy increased dramatically as a number of buildings were delivered as the recession hit. A number of State agencies also then opted to condense their operations into fewer buildings and many relocated for newer or build-to-suit buildings in Tumwater. This effect has slowed significantly in recent years, but has hit the subject's immediate office node particularly hard. This node of over 40 office buildings accounts for just over half of Lacey's office inventory, but about 88% of the submarket vacancy, which currently sits at 12.90%.

To the west are a Fred Meyer and a retail power center anchored by Sears, Target and Kohls. To the east, across College St. SE, is the St. Martins University campus and St. Martins Park. Beyond Pacific Ave. SE to the south, uses quickly transition to single-family residential uses. To the north of I-5, there are a few older retail uses, the largest being Lowe's, but uses also quickly transition to residential.

Access

Access to the neighborhood is provided by two major north-south streets (Sleater-Kinney and College), each providing access to full I-5 interchanges. East-west traffic is concentrated on two arterials in addition to I-5: Martin Way E. and Pacific Ave. SE. Access through the remaining portion of the neighborhood is a full grid of local streets, some of which are interrupted by larger parcels, I-5, and St. Martins Park.

A Thurston County Transit station is located just northwest of the subject at Golf Club Pl. SE and 6th Ave. SE. This feature is helpful for many office tenants and improves the subject's overall access.

**Neighborhood
Demographics**

Lacey's demographics are generally positive with a forecasted population growth of 1.41% annually, above county levels of 1.24%. Owner-occupied housing and household incomes are slightly below county and state levels. Demographics with the subject's immediate vicinity are moderately below those of Lacey as a whole.

Conclusion

Lacey is a mid-size community with a full array of housing and services. The subject's immediate neighborhood is centrally located with very good access throughout the city and the region with two interchanges with I-5 within a mile of the subject. Development was paused for all product types during the recession, but returned in the last few years with a number of retail, residential and industrial deliveries. Surrounding uses are supportive of office use, but the submarket is still recovering from high vacancy and reduction of government office space demand.

Office Market Overview

Lacey Office Submarket

Quarter	Inventory Bldgs	Inventory SF	Vacant SF Total	Vacant Percent Total	Net Absorption SF Total	Deliveries Bldgs	Deliveries SF	Under Construction Bldgs	Under Construction SF	Office Base Rent Overall
QTD	135	2,086,377	272,231	13.00%	(2,119)	0	0	0	0	\$15.35/NNN
2016 Q3	135	2,086,377	270,112	12.90%	14,625	0	0	0	0	\$15.42/NNN
2016 Q2	135	2,086,377	284,737	13.60%	60,628	1	16,700	0	0	\$16.00/NNN
2016 Q1	134	2,069,677	328,665	15.90%	484	0	0	1	16,700	\$15.89/NNN
2015 Q4	134	2,069,677	329,149	15.90%	2,950	0	0	1	16,700	\$15.92/NNN
2015 Q3	134	2,069,677	332,099	16.00%	(2,756)	0	0	0	0	\$16.04/NNN
2015 Q2	134	2,069,677	329,343	15.90%	8,576	0	0	0	0	\$15.95/NNN
2015 Q1	134	2,069,677	337,919	16.30%	3,819	0	0	0	0	\$15.96/NNN
2014 Q4	134	2,069,677	341,738	16.50%	60,729	0	0	0	0	\$15.94/NNN
2014 Q3	134	2,069,677	402,467	19.40%	(67,203)	0	0	0	0	\$15.28/NNN
2014 Q2	134	2,069,677	335,264	16.20%	5,442	0	0	0	0	\$14.51/NNN
2014 Q1	134	2,069,677	340,706	16.50%	(35,191)	0	0	0	0	\$14.50/NNN
2013 Q4	134	2,069,677	305,515	14.80%	4,780	1	2,800	0	0	\$14.61/NNN
2013 Q3	133	2,066,877	307,495	14.90%	(20,508)	0	0	1	2,800	\$14.76/NNN
2013 Q2	133	2,066,877	286,987	13.90%	60,100	0	0	1	2,800	\$14.48/NNN
2013 Q1	133	2,066,877	347,087	16.80%	15,841	0	0	1	2,800	\$14.60/NNN
2012 Q4	133	2,066,877	362,928	17.60%	16,359	0	0	0	0	\$14.57/NNN
2012 Q3	133	2,066,877	379,287	18.40%	(87,784)	0	0	0	0	\$14.60/NNN
2012 Q2	133	2,066,877	291,503	14.10%	9,325	0	0	0	0	\$14.98/NNN
2012 Q1	133	2,066,877	300,828	14.60%	(5,942)	0	0	0	0	\$14.78/NNN
2011 Q4	133	2,066,877	294,886	14.30%	3,322	0	0	0	0	\$15.02/NNN
2011 Q3	133	2,066,877	298,208	14.40%	(16,707)	1	4,723	0	0	\$14.89/NNN
2011 Q2	132	2,062,154	276,778	13.40%	5,912	0	0	1	4,723	\$14.93/NNN
2011 Q1	132	2,062,154	282,690	13.70%	(6,731)	0	0	0	0	\$15.07/NNN
2010 Q4	132	2,062,154	275,959	13.40%	28,274	0	0	0	0	\$15.23/NNN
2010 Q3	132	2,062,154	304,233	14.80%	(32,516)	0	0	0	0	\$15.55/NNN
2010 Q2	132	2,062,154	271,717	13.20%	(2,896)	0	0	0	0	\$15.70/NNN
2010 Q1	132	2,062,154	268,821	13.00%	5,152	0	0	0	0	\$15.78/NNN

Office Market Overview

Thurston County Submarket

In the Thurston County market, Washington State is the largest office user by far, in both owned and leased space. Beginning with space directly around the capital and most recently expansions in Tumwater and Lacey prior to the recession. The State occupies multiple buildings in Tumwater, Lacey, Downtown Olympia and peripheral markets surrounding Olympia's downtown core.

The current Thurston County office inventory totals just under 9.7 million sq ft of space among 860 buildings (illustrating the small average size of office buildings in the market). The market's current office vacancy rate is reported by CoStar for Q3 of 2016 is 6.8%, which is down from 8.9% a year ago and highs of 11.50% two years ago. After increasing from a low of 8.6% in the 4th quarter of 2009 to a high of 11.6% in the 3rd quarter of 2010, vacancy fluctuated modestly through year-end 2014 before beginning to fall.

Although not listed within Costar, there is currently one project under construction, an 81,065 sq ft building in Tumwater that is 65% pre-leased to the Department of Revenue. Other than this, there has only been one other delivery at 16,700 sq ft in the last 3 years, which was a build-to-suit in Lacey. Even in the stronger markets, office sales in the Thurston County market have been limited. Some of the recent sales have still been distressed to some degree including high vacancy and/or seller motivation. Market activity has increased in core asset properties with some funneling down to suburban markets including the local Thurston County investor market.

Tumwater/South Olympia Office Submarket

An historical overview of the subject's Lacey office submarket is shown in the preceding table. The current submarket inventory totals just over 2M sq ft of office space in 135 buildings. The only recent construction within this submarket was the Q2 2016 addition of a 16,700 sq ft, build-to-suit office for BioLife Plasma. The lack of new construction as well as the final consolidation efforts from certain government agencies in the market will help this market begin to recover.

MARKET VACANCY AND ABSORPTION

The submarket's vacancy rate is reported at 12.90% as of Q3 of 2016, which is well above the office vacancy for Thurston County as a whole. Office vacancy quickly rose from a low point of 7.0% in Q3 of 2007 up to 13.50% by the end of 2008. This was driven by the start of the national recession as well as the delivery of just over 100k sq ft in 2008. From that

point through 2013, vacancy mainly hovered between 13% to 15% before peaking at 19.40% in Q3 of 2014. Since 2008, no significant office additions have been made to the submarket. Absorption remained mixed with significant losses in 2012 and 2014, and moderate gains made in 2013. More recently the submarket absorbed 12,589 sq ft in 2015 and 73,618 sq ft YTD in 2016. This absorption has brought vacancy down about 300 basis points from a year ago.

However, it is important to note that within the subject's immediate neighborhood (bounded by Pacific Ave., College St. SE, I-5, and Sleater Kinney Rd. SE) accounts for much of this vacancy. This pocket represents about 52% of Lacey's office inventory, but accounts for about 88% of the submarket vacancy.

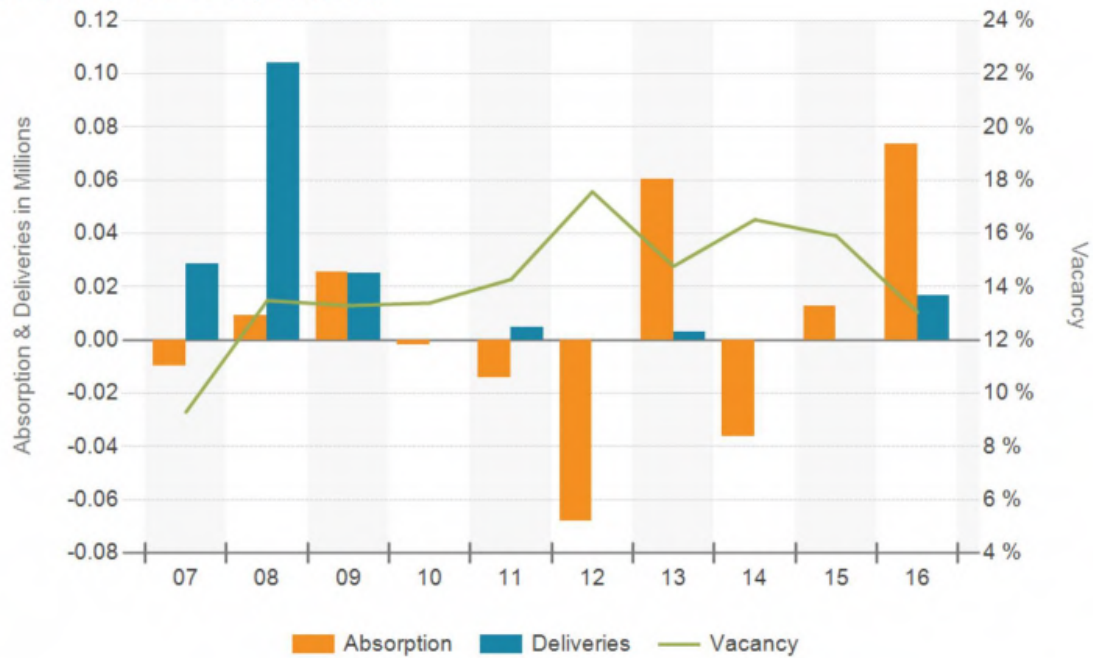
RENTAL RATES

Average reported rental rates around \$18/sq ft prior to the recession trended quickly downward during 2009, leveling off around \$14 to \$15/sq ft. Since then rates have remained largely flat with slight increases towards \$16/sq ft over the last two years. With this said, rental rates vary greatly depending on condition and quality of office. Average rates are often impacted by smaller buildings with offset locations and some inefficiencies. The newer, good quality office buildings are leasing at higher full service office rates typically between \$22.00 and \$28.00/sq ft.

Summary

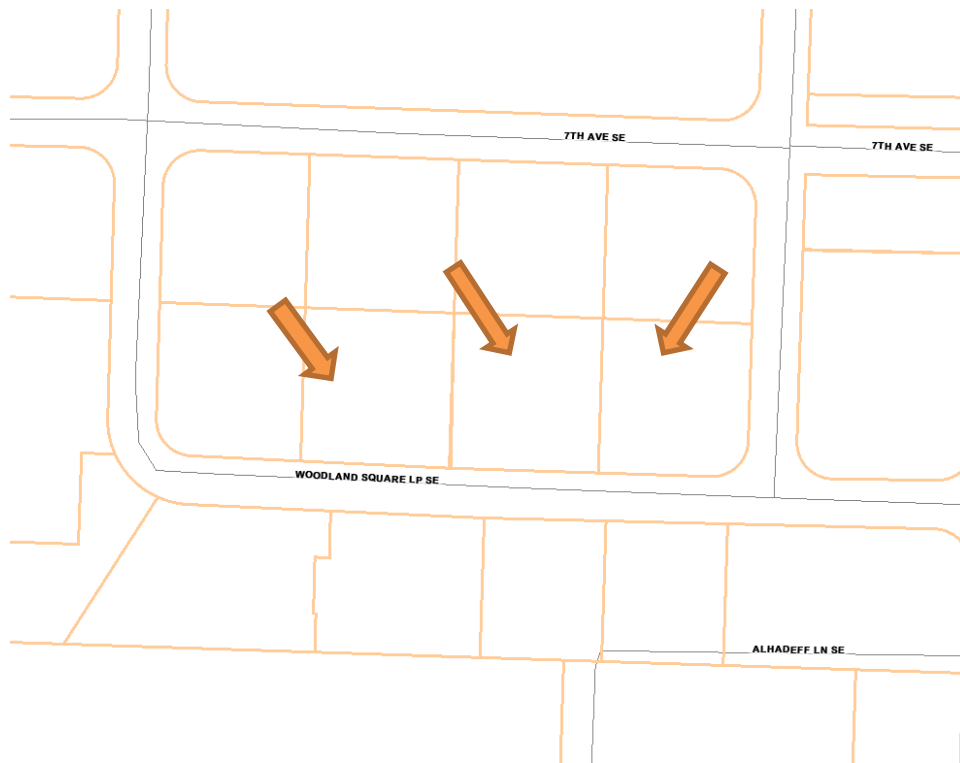
State government consolidation and downsizing had an adverse impact on the Thurston County office market, particularly between 2010 and early 2014, much of which occurred in Downtown Olympia. There has been some recent tightening and a lack of new construction has shown some modestly improving signs for the office market both in Thurston County and marginal improvements within the Lacey submarket. Although, properties in the subject's immediate office node are still seeing slow leasing activity and a vacancy rate of almost 22% (12.90% within the greater Lacey submarket).

Absorption, Deliveries, Vacancy



Source: CoStar – November 2016

Property Description



Parcel Map

Property Description

Introduction	The subject is a four-story office building located in Lacey's Woodland District. The 2000, reinforced-concrete structure contains 84,996 sq ft of rentable area.	
Identity of Property	Location:	640 Woodland Sq. Loop SE
	City:	Lacey
	Parcel Numbers:	84990003600, -3500, -3400
	Liens and Encumbrances:	We have been provided with a Title Report prepared by First American Title Insurance Company and dated September 2, 2016. Typical utility easements are noted in the report, with a single access easement noted along the subject's northern edge for parking lot access. This is a mutual easement with the property to the north, which is under the same ownership. Our evaluation presumes the site is absent of significant easements or encumbrances that would impact the market value of the subject. The improvements are 83% leased by a single tenant, the Employment Security Department, through June of 2021.
SIZE & SHAPE	The subject's three parcels form a functional, rectangular shape with corner positioning along Woodland Sq. Loop SE. According to the Thurston County Assessor, the subject contains 2.36 acres of land area.	
STREETS, ACCESS & EXPOSURE	Woodland Sq. Loop SE is a two-way street with a single lane of traffic in each direction as well as on-street parking. It is improved with curbs and lighted sidewalks. Primary access to the subject's office node is via College St. SE to the east, but additional access is available through side streets to the south and west. Accessibility is good given its access to local arterials and I-5 to the north. Visibility is average, as it has no frontage along local arterials.	
TOPOGRAPHY & SOIL CONDITIONS	The site is level and at-grade with neighboring parcels and roads.	

We were not provided with any soils reports and we assume the soils are adequate to support any building improvements that might represent the highest and best use of the site. No obvious signs of settling were noted upon inspection; however, this should not be construed as a guarantee that the soils are adequate to support its current use.

UTILITIES All normal public utilities are available to the subject site.

ASSESSOR'S INFORMATION The assessed value is 60% of our value conclusion of \$13,200,000.

Real Estate Tax Analysis

APN # 84990003600, -3500, -3400

Year	Assessed Values			Taxes & Fees			Total	Levy Rate
	Total	Land	Building	Taxes	Weed	Cons		
2016	\$7,939,700	\$1,057,300	\$6,882,400	\$100,329.92	\$14.16	\$15.00	\$100,359.08	\$12.636488
2015	\$7,340,000	\$1,119,400	\$6,220,600	\$95,668.18	\$11.16	\$15.00	\$95,694.34	\$13.033812

ZONING The subject is zoned Urban Neighborhood 1 within the Woodland District zoning, dictated by the City of Lacey. This is intended to encourage a diversity of uses in the city core that are pedestrian and transit friendly. A variety of commercial uses are permitted, focused on service, medical, educational, office, and locally-serving retail. Multi-family, residential uses are also permitted. No maximum FAR is specified and required office parking is 1.5 to 2 stalls per 1,000 sq ft depending on customer service components.

While the subject could benefit from additional parking, it appears that its current improvements are legally conforming to current zoning.

CONCLUSION In summary, the site characteristics are similar to other properties in the immediate vicinity. There are no site conditions known to the appraisers that have a negative impact on the value or marketability of the subject site.

Description of Improvements

INTRODUCTION The site is improved with an average quality, Class "B" office building. It is currently in good condition and includes 84,996 sq ft of rentable area.

PHYSICAL AGE The building was constructed in 2000, and it has an estimated effective age of 10 years.

**FRAMING &
EXTERIOR**

The foundation is poured in-place concrete slab on grade. The roof is a flat membrane. The structure features some brick finishes, a mostly glass façade, and minor covered entryways. The roof and frame of the add-on to the west had significant water damage occur, but are to be fully repaired/replaced by the end of 2016. This will leave it in functional condition, but it will need to be built-out significantly for tenancy.

The subject also shares a small, masonry HVAC plant with the 4565 7th Ave. SE building to the north, which is under the same ownership as the subject. It is located at the northwest corner of the subject parcel, between the two buildings.

INTERIOR FINISH

The subject's four floors are built-out for typical office use with a lobby/corridor extending through the core of the building, north to south. Each floor is supported by private offices, lunch/staff areas, conference rooms, open cubical space, as well as bathrooms. As mentioned above, the add-on will be functional after repairs are complete, but will need to be largely built-out from the studs.

Interior finishes include painted gypsum wallboard, ceiling tiles, fluorescent lighting, carpet and vinyl tiles. Heating and cooling is by forced air units with distribution suspending on the ceiling. The building is sprinklered. The building design is functional and would appeal to a variety of office users.

**SITE IMPROVEMENTS
& PARKING**

Extending to the east of the improvements is a large parking lot. This provides roughly 194 parking stalls, which equates to 2.3 spaces per 1,000 sq ft and exceeds zoning requirements. This ratio includes 53 parking stalls from the parking lot to the south (APN #84990001100) that is under the same ownership as the subject. These additional stalls are not supporting a specific building and are allocated in our appraisal to best support the ownership's portfolio as a whole. This report assumes that a parking easement benefiting the property would be put in place.

The property features moderate landscaping along the building and street frontage, including a variety of trees and shrubs.

**CONDITION &
FUNCTIONAL UTILITY**

The building is in good condition and would attract a variety of office users.

Highest & Best Use

Highest & Best Use

“Highest & Best Use” is defined by the Appraisal Institute as:

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Source: The Dictionary of Real Estate Appraisal, Sixth Edition. Chicago: Appraisal Institute, 2015.

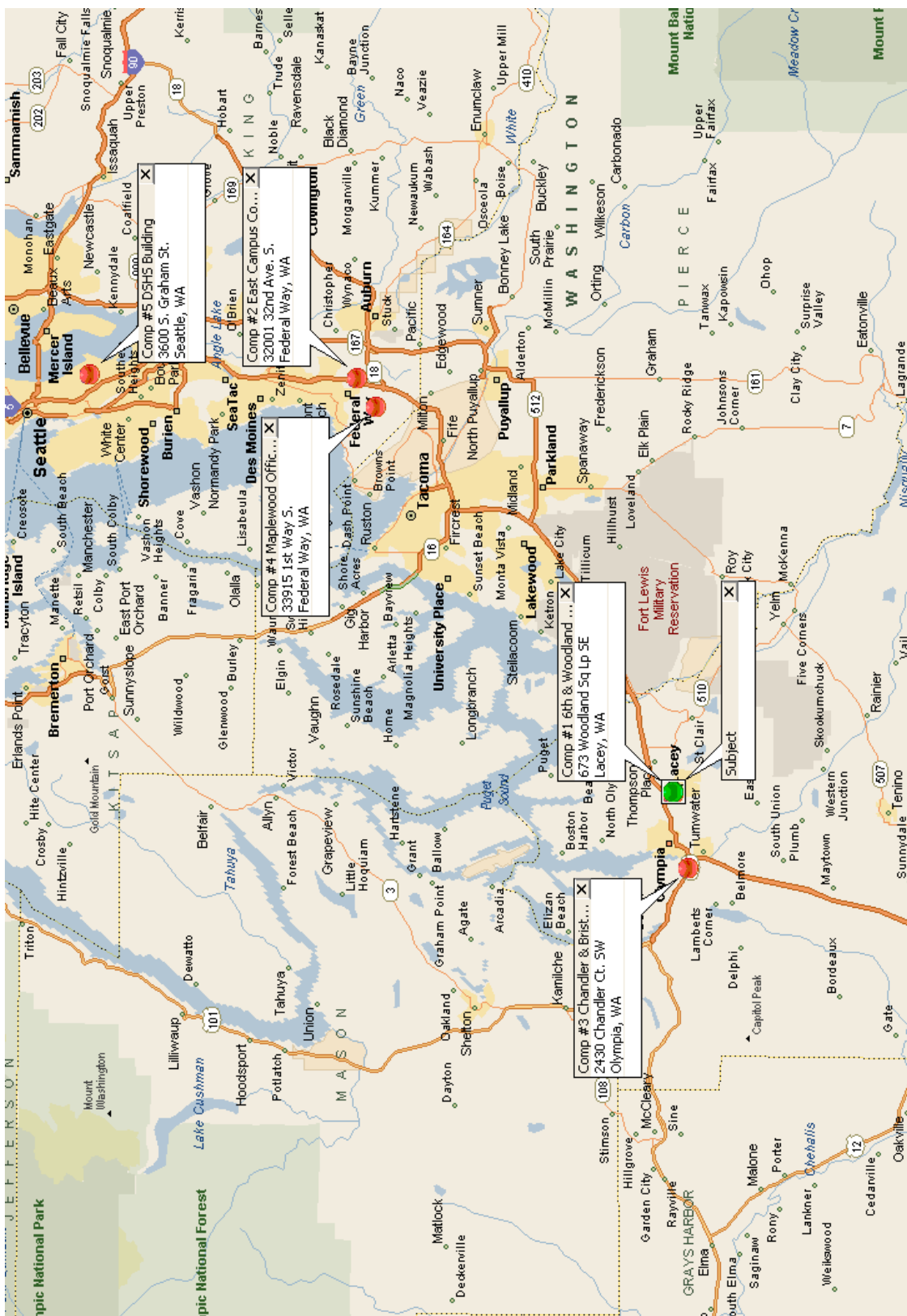
As if Vacant

The subject is zoned Urban Neighborhood 1 within the Woodland District zoning, dictated by the City of Lacey. This is intended to encourage a diversity of uses in the city core that are pedestrian and transit friendly. A variety of commercial uses are permitted, focused on service, medical, educational, office, and locally-serving retail. Multi-family, residential uses are also allowed. No maximum FAR is specified. The subject's size, shape, and topography are sufficiently conducive to support a variety of uses. Surrounding properties are almost exclusively office uses, transitioning to retail further to the west. Recent office development has been limited to a very few owner-user and pre-leased projects, with retail activity increases concentrated in superior retail pockets like Hawk's Prairie. The highest and best use of the site as if vacant is for commercial development, as dictated by market demand and conditions.

As Improved

The subject is a good quality office building, 83% leased to a government tenant. Existing improvements are in good condition and, as shown later in this report, contribute significant value to the site; therefore, demolition or conversion are not likely. Due to the layout of the subject improvements and current market conditions, an addition is not feasible and renovation would not result in significant increases in rent. As a result, the highest and best use is for continued office use, “as-is.”

Sales Comparison Approach



Sales Comparison Map

Sales Comparison Photographs

Comparable 1

6th & Woodland Bldg
673 Woodland Sq Loop SE
Lacey, WA



Comparable 2

East Campus Corp Park I
32001 32nd Ave. S.
Federal Way, WA



Comparable 3

Chandler & Bristol Court
2425 Bristol Ct. SW /
2430 Chandler Ct. SW
Olympia, WA



Sales Comparison Photographs

Comparable 4

Maplewood Office Building
33915 1st Way S.
Federal Way, WA



Comparable 5

DSHS Building
3600 S. Graham St.
Seattle, WA



SALES COMPARISON SUMMARY

No	Name / Location	Year Build	GLA	Land LTB Ratio	Pkg Ratio	Sale Date	Sale Price	Price/SF	Cap Rate	\$NOI/SF	Buyer / Seller / Source	Comments
1.	6th & Woodland Bldg 673 Woodland Sq Lp SE Lacey, WA	2008 Masonry	61,472	67,954 1.11 2.8/Ksf	May-12	\$5,743,400	\$93	NA	NA	NA	DM Ventures-Lacey, LLC Opus Bank Rob Knowles, JSH, 425.455.0500	Newer office building in good condition, but only 38% occupied ATOS. Investor purchased through REO sale with a pro-forma cap rate of 6.1%. Much of vacancy was shell.
2.	East Campus Corp Park I 32001 32nd Ave. S. Federal Way, WA	2001 Masonry	105,807	239,580 2.26 4.0/Ksf	Mar-15	\$17,900,000	\$169	\$12.69 7.50%			Sterling Realty Organization Co. FRC Federal Way, LLC Internal Records	Large office building that was 86% occupied ATOS. It was on the market for six months and attracted an investor with long term leases and good tenant history.
3.	Chandler & Bristol Court 2425 Bristol Ct. SW / 2430 Chandler Ct. SW Olympia, WA	1991/2000 Wood/Masonry	103,618	137,314 1.33 1.5/Ksf	Dec-14	\$15,000,000	\$145	\$12.02 8.30%			Redstone Bristol Court, LP Diebick Investments Craig Wilson, CBRE, 425.462.6922	Sale of two adjacent, single tenant buildings fully leased by govt entities; one through 2020 and one expiring in 2016. Building in good condition, no deferred maintenance.
4.	Maplewood Office Building 33915 1st Way S. Federal Way, WA	2005 Masonry	32,074	110,207 3.44 3.5/Ksf	May-15	\$5,850,000	\$182	\$13.50 7.40%			First American Exchange Co. CMFG Life Insurance Co. Bill Frame, KM, 253.722.1403	100% occupied by eight tenants. Located in West Campus neighborhood of Federal Way. Two-story structure in good condition ATOS. Purchased by out of state REIT.
5.	DSHS Building 3600 S. Graham St. Seattle, WA	1982; Ren. '09 Masonry	40,738	84,506 2.07 2.6/Ksf	Jul-15	\$8,200,000	\$201	\$13.08 6.50%			North American Chang Jiang 8, LLP Western Properties, Inc. Partick Starr, Broker, 360.671.9640	Building was 100% leased to DSHS at time of sale with 5-years remaining on their lease. The two-story structure in South Seattle was renovated in 2009.
Subject												
	640 Woodland Sq. Loop SE Lacey, WA	2000 Masonry	84,996	102,715 1.21 2.3/Ksf	Appraisal Rounded	\$13,174,380 \$13,200,000	\$155 \$155					

Sales Comparison Approach

Introduction

The Sales Comparison Approach is based on the premise that market value of the property is directly related to recent sale prices of competitive properties and the availability of substitute properties with similar utility and desirability. The most similar sales of properties are investigated and compared to the subject in this analysis. These comparables are summarized in the table on the facing page. Photographs and a location map are presented on previous pages.

Five improved sale comparisons were selected that are reasonably similar to the subject, indicating a range in value of \$93/sq ft to \$201/sq ft. Most are well-leased office buildings of good quality throughout the Puget Sound Region, all attracting investor buyers. These range approximately between 32k and 106k sq ft of rentable area with some including government tenants similar to the subject. Building ages vary between 1982 and 2008, with some having recent renovations. Sales dates range from May 2012 to July 2015. Comparable factors analyzed within each sale include sale and market conditions, location, age/condition, LTB ratio/parking, size, function, and tenancy.

The high end of the range (No. 5 at \$201/sq ft) is the July 2015 sale of the DSHS Building in South Seattle. This is a 40,738 sq ft, 1982 vintage structure that was renovated in 2009 and fully occupied by a government tenant with 5-years remaining on their lease. Its good condition and superior positioning in South Seattle indicate lower pricing for the subject.

The low end of the range (No. 1 at \$93/sq ft) is the May 2012, REO sale of the 6th & Woodland Building just to the northeast of the subject. The 61,472 sq ft structure was delivered in 2008 at the start of the recession and was only at 38% occupancy at the time of sale. Much of the vacancy was in shell condition and the bank was motivated to sell the property. The building is of a newer, higher quality, but its high vacancy, sale motivation, and sale date indicate a much higher pricing for the subject.

Sale No. 3 (\$145/sq ft) is the December 2014 purchase of two, single-tenant office buildings in western Olympia along SR-101. The multi-story structures are of similar size as each other, totaling 103,618 sq ft, and were built in 1991 and 2000. Exposure and access are good, but both suffer from poor parking ratios. One government tenant renewed in July 2014 for 5-years, but the other was set to expire in May of 2016. While the subject is partially vacant, the comparable's inferior construction/condition,

parking ratio, and older sale date indicate a slightly higher price for the subject.

The remaining two sales were both of office buildings in Federal Way. No. 4 (\$182/sq ft) is the May 2015 sale of a 2005 vintage, 32,074 sq ft building that was fully occupied by eight tenants. Its newer construction, strong tenancy, market positioning, and smaller size indicate a lower pricing for the subject.

No. 2 (\$169/sq ft) is the March 2015 sale of a 2001 vintage, 105,807 sq ft building with direct access to I-5 along S. 320th St. The structure was in good condition at the time of sale and features adequate parking. The buyer was an investor attracted by the long-term leases in place and good tenant history, but the building required some lease-up due to an 86% occupancy rate. While the comparable is of a very similar construction/function and size, the subject's higher vacancy, parking ratio, and market positioning warrant a lower price per square foot.

Overall, the subject is most similar to sales No. 2 (\$169/sq ft) and No. 3 (\$145/sq ft) given their discussed attributes.

Conclusion

Considering all factors, the market value of the leased fee interest in the subject as of January 1, 2017 is estimated at:

$$84,996 \text{ sq ft} \times \$155/\text{sq ft} = \$13,200,000 \text{ (Rounded)}$$

Income Capitalization Approach

Income Capitalization Approach

Introduction

The Income Capitalization Approach is based on the precept that an income-producing property is typically purchased as an investment, and therefore the earning power of the asset is critical to understanding the property's value. This approach is developed by analyzing the property's income and expenses over the following base year to forecast the most probable net operating income (NOI). The estimated NOI is then capitalized at a market-derived capitalization rate to arrive at a price an investor might be willing to pay for the property. Data used in this approach includes a mixture of general and specific information resources. There are two methods typically used to indicate value: direct capitalization and yield capitalization (discounted cash flow analysis). In this case, direct capitalization is the most relevant and therefore used in this report.

Existing Lease Encumbrance (Contract Rent)

The subject is approximately 83% leased to the Employment Security Department. The only areas that remain vacant are a 2,847 sq ft add-on to the west of the building and 11,700 sq ft on the second floor that the tenant gave back through their recent renewal. Their lease now goes through June of 2021, paying a flat rate of \$19.40/sq ft on a full service basis. Lease renewal terms included no free rent and \$5.11/sq ft in TI allowance. The landlord was also required to complete property maintenance and repairs, typical of government leases, which includes moderate HVAC repairs, new carpet/paint, and a variety of other items that total \$22.48/sq ft.

Per the receivership report, all repairs, TI allowances, and lease commissions are to be completed and paid in full by the end of 2016.

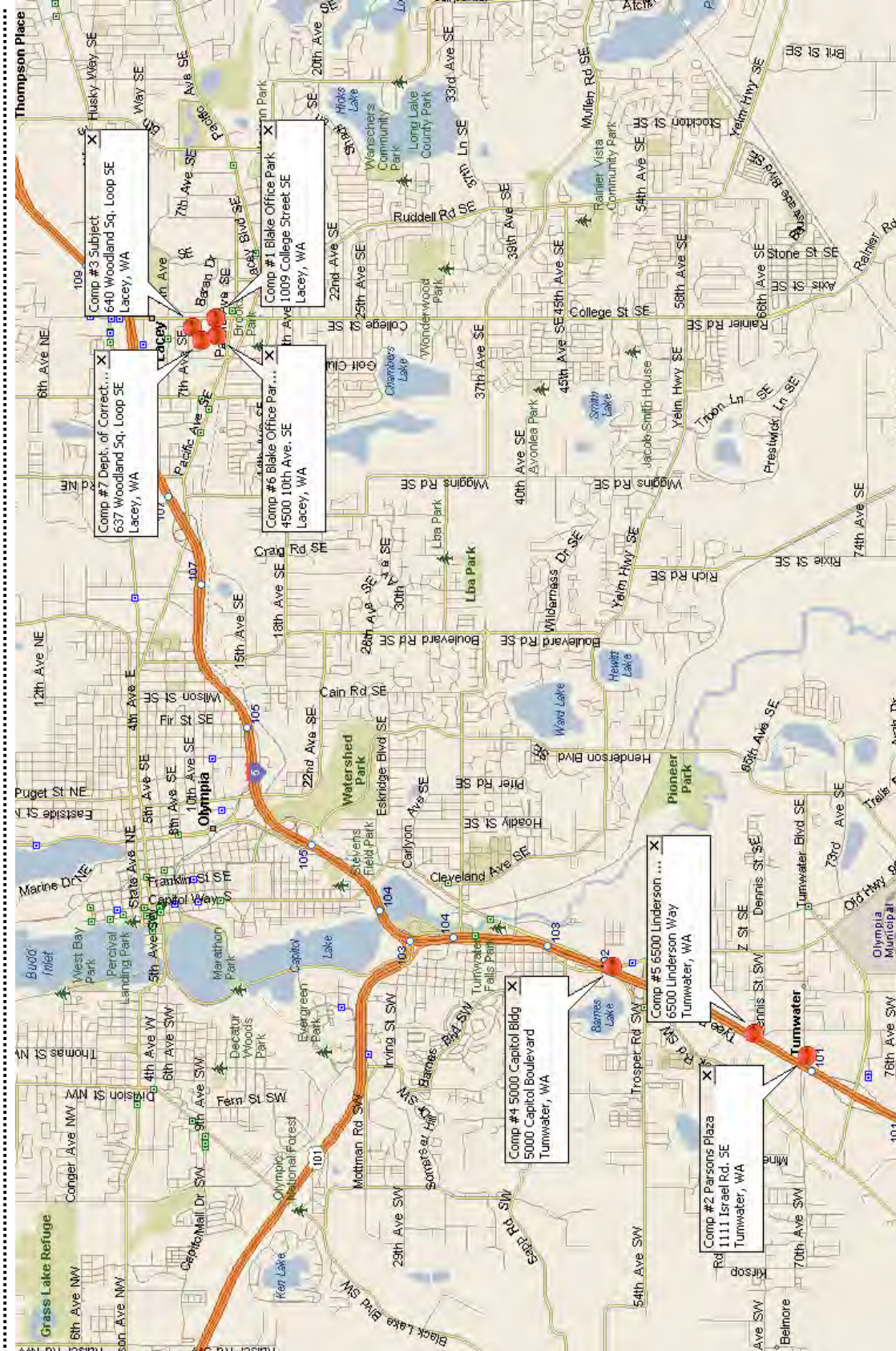
Comparable Rental Data

In order to determine market rent for the subject property, we have researched the subject's submarket for recent listings and signed leases. We have selected rent comparables from similar office properties, including the most recent leasing activity within the subject.

LEASE SUMMARY

No.	Tenant	Size	% of RA	Current Term		Rental Rates		Monthly	\$/sf	Comments
				Begin	End	Begin	End			
1	Employment Security Department	70,449	82.89%	Jul-16	Jun-21	Jul-16		\$113,892.55	\$19.40	Tenant signed a 5-year renewal and downsized suite, with LL making significant repairs/maintenance and giving tenant \$360k in TI allowance. Add'l repairs being made to building by LL, curing deferred maintenance. The tenant now is on a full service lease, paying no property expenses. LL provided \$5.11/sq ft in TI, in addition to curing a number of deferred maintenance items. This includes HVAC work, new carpet/paint, other items that total \$22.48/sq ft.
2	VACANT	11,700	13.77%	NA	NA	NA	NA	NA	NA	Vacant office suite on the 1st floor, recently given back from ESD.
3	VACANT Add-on Suite	2,847	3.35%	NA	NA	NA	NA	NA	NA	Vacant area added onto the western face of the building, but never fully built-out except for small café. Entire area was significantly damaged by leaking roof & mold, but \$250K is to be invested to repair this portion of roof and building envelope.

Total	84,996	100.0%
Vacant	14,547	17.1%
Occupied	70,449	82.9%



Rent Comparison Map

Rent Comparison Photographs

Comparable R-1
Blake Office Park
1009 College St. SE
Lacey, WA



Comparable R-2
Parsons Plaza
1111 Israel Rd. SE
Tumwater, WA



Comparable R-3
Subject
640 Woodland Sq. Loop SE
Lacey, WA



Rent Comparison Photographs

Comparable R-4

5000 Capitol Building
5000 Capitol Blvd.
Tumwater, WA



Comparable R-5

6500 Linderson Building
6500 Linderson Way SW
Tumwater, WA



Comparable R-6

Blake Office Park - Bldg B
4500 10th Ave. SE
Lacey, WA



Rent Comparison Photographs

Comparable R-7

Dept. of Corrections Building
640 Woodland Sq. Loop SE
Lacey, WA



SUMMARY OF RENT COMPARABLES

No	Name/Address	Age RA(SF) Stories	Tenant Area (SF)	Term	Start Date	Base Year Rent Ann. Escalations	Expenses	TI Allowance Free Rent	Comments/Confirmation
1	Blake Office Park 1009 College Street SE Lacey, WA	1992 60,000 2-Story	16,783	10 Years	Jul-16	\$19.50 Flat	Full Service Equiv.	Minimal None	5-Year lease extension with tenant paying utilities, garbage, and janitorial expenses. TI work is considered minimal, primarily small building repairs. MG rate of \$16.50/sq ft.
2	Parsons Plaza 1111 Israel Rd. SE Tumwater, WA	2008 52,510 3-Story	5,653	5 Years	Sep-15	\$21.60 Flat	Full Service	Minimal None	2-Year lease extension with tenant paying utilities, garbage, and janitorial expenses. No TI allowance or free rent was provided. Lease to Dept. of Corrections, with leased areas in two adjacent buildings. MG rate of \$16.90/sq ft. <i>Public Lease</i>
3	Subject 640 Woodland Sq. Loop SE Lacey, WA	2003 84,149 3-Story	70,449	5 Years	Jul-16	\$19.40 Flat	Full Service	\$5.11/sq ft None	5-Year extension with tenant on a full service lease at \$21.60/sq ft. TI work is considered minimal, primarily small building repairs. Lease to Env. & Land Use Hearings Office. <i>Internal Records</i>
4	5000 Capitol Building 5000 Capitol Blvd. SE Tumwater, WA	1973; Ren. '02 43,080 2-Story	46,080	5 Years	May-17 (Aug. 2016 Renewal)	\$21.41 Flat	Full Service Equiv.	\$4.14/sq ft None	5-Year extension that slightly reduces tenant's area and makes it full service lease at \$19.40/sq ft. LL provided \$5.11/sq ft in TI, in addition to curing a number of deferred maintenance items. This includes HVAC work, new carpet/paint, other items that total \$22.48/sq ft. <i>Receivership Lease Files</i>
5	6500 Linderson Bldg 6500 Linderson Way SW Tumwater, WA	2003 96,103 3-Story	96,103	5 Years	Jun-13	\$21.97 Flat	Full Service Equiv.	Minimal None	5-Year extension with tenant paying utilities, garbage, and janitorial expenses. No free rent or renewal options were provided to the tenant. Tenant previously renewed in 2012 at a flat \$17.35/sq ft and executed current renewal in August of 2016 at \$18.41/sq ft. <i>Subject Lease</i>
6	Blake Office Park - Bldg B 4500 10th Ave. SE Lacey, WA	1999 54,788 2-Story	54,788	5 Years	Aug-14	\$20.25 Flat	Full Service Equiv.	Minimal None	5-Year renewal with DSHS paying utilities, garbage, and janitorial expenses. No TI allowance or free rent was provided. Modified gross rate of \$17.25/sq ft. <i>Internal Records/Public Lease</i>
7	Dept. of Corrections Building 637 Woodland Sq. Loop SE Lacey, WA	1986 18,104 2-Story	18,104	5 Years	Jun-14	\$21.40 Flat	Full Service Equiv.	Minimal None	Typical, 5-year renewal of government lease within single tenant building. Landlord completed minor repairs and maintenance to the property. Modified gross rate of \$18.40/sq ft with no escalations. <i>Public Lease</i>
Subject 640 Woodland Sq. Loop SE Lacey, WA		2000 84,996 4-Story	Appraisal		\$20 to \$21		Full Service	<i>Receivership Lease Files</i>	

**Comparative
Analysis**

Rental rates for office properties are often quoted in a variety of gross and modified gross ways, with expenses being reimbursed to different extents. The subject is leased on a full service basis with the landlord covering all operating expenses. We analyze the subject and comparables selected based on these same lease terms.

Six recent, government leases within the subject's general submarket indicate full service rates of \$19.50/sq ft to \$21.97/sq ft with no escalations. The rent comparables reflect terms of two to ten years with no free rent. TI allowances are mostly basic repairs and maintenance, although some are less significant than to the subject's recent renewal.

The high end of the range is marked by three leases in Tumwater (No. 2, 4, & 5 between \$21.41 and \$21.97). These government leases are all within good quality office buildings and benefit from positioning within a superior submarket. The subject would warrant a lower rental rate. These rates reflect similar quality buildings, but rates can easily exceed \$22/sq ft within higher quality, Class A office product.

The low end of the range (No. 1 at \$19.50/sq ft and \$19.90/sq ft) represents two recent leases within an older, 1992 vintage office building just south of the subject. The government tenants leases (16,783 sq ft and 18,816 sq ft) included minimal TI and no free rent. Given the age and quality of the comparable, the subject would warrant a higher rental rate.

Adjacent to the subject, an 18,104 sq ft renewal with the Department of Corrections was signed in June of 2014 (No. 7 at \$21.40/sq ft). Although of a 1986 vintage, the structure is in good condition and has identical positioning as the subject. Overall, this smaller, single-tenant structure marks the high end of similar leasing within the subject's immediate node. The subject would likely warrant a lower rental rate.

Another sizable lease was signed in August of 2014 just south of the subject in the Blake Office Park (No. 6 at \$20.25/sq ft). This 1999 vintage building is in similar condition as the subject and its 54,788 sq ft are fully leased to DSHS. They signed a 5-year renewal at a flat rate of \$20.25/sq ft with typical government maintenance required and no free rent. The subject would warrant a similar rental rate.

**Market Rent
Estimate**

Overall, the subject would warrant a full service, market rent range of \$20/sq ft to \$21/sq ft depending on the subject's suite characteristics and sizes. This is well supported by the selected comparables and just above the subject's recent 70,449 sq ft renewal at \$19.40/sq ft. Typical, 5-year

government lease terms are expected, including no escalations, minimal free rent, and minor TI allowance. The projected contract rent of \$19.61/sq ft/year is within 3% of our market rental rate estimate as shown in the following table.

Annual Gross Income Estimate

Tenant	%	sq ft	Contract Rent Projected		Market Rent		Contract vs. Market	
			Annual Rent	\$/SF	Annual Rent	\$/SF	Gross	\$/SF
Employment Security	82.9%	70,449	\$1,366,711	\$19.40	\$1,408,980	\$20.00	(\$42,269)	(\$0.60)
VACANT	13.8%	11,700	\$239,850	\$20.50	\$239,850	\$20.50	\$0	\$0.00
VACANT	3.3%	2,847	\$59,787	\$21.00	\$59,787	\$21.00	\$0	\$0.00
Occupied	100%	84,996	\$1,666,348	\$19.61	\$1,708,617	\$20.10	(\$42,269)	(\$0.50)
Vacant	0%							

Gross Rent Estimate

The contract rent essentially reflects a market rental rate for the subject and is used in the direct capitalization analysis. The projected gross rental income is estimated at \$1,666,348, or \$19.61/sq ft/year.

Operating Expenses and Recoveries

As noted previously, contract rent and market rent estimates for the subject are on a full service basis with the landlord covering all property expenses. Historical expenses at the subject property were not available, so this appraisal relies on expenses from comparable office properties.

Real estate taxes are estimated at \$1.21/sq ft, which is a 2.5% increase from the subject's 2016 tax assessment. Insurance expenses typically range from \$0.20 to \$0.30/sq ft for similar properties, indicating an average expense of \$0.25/sq ft for the subject. Management expenses usually range between 2% and 4% for office properties. Given the subject's multi-tenant occupancy, a rate of 2.5% is used. Utilities are projected at \$2.00/sq ft based on comparables. Repair and maintenance costs for similar properties typically range between \$0.75/sq ft and \$1.25/sq ft. Considering the subject's historical maintenance and current condition, these expenses are forecasted at \$1.00/sq ft.

Landscaping and security expenses typically range between \$0.20/sq ft and \$0.60/sq ft, indicating \$0.45/sq ft for the subject given its moderate landscaping. Janitorial expenses are projected at comparable averages around \$1.00/sq ft. Miscellaneous expenses are projected to be minimal at \$0.05/sq ft.

Recoverable expenses total \$546,175 per year or \$6.43/sq ft.

Non-recoverable expenses are also considered in our analysis, which include reserves and other ownership expenses. These are projected at \$0.15/sq ft, bringing total property expenses projected to \$558,924 per year, or \$6.58/sq ft.

**Vacancy &
Collection Loss**

A 5% vacancy and credit loss allowance is deducted from the estimated potential gross income. This rate is below the current Lacey submarket vacancy rate, but is in-line with how traditional investors would analyze the subject.

**Direct
Capitalization**

Direct capitalization is the process of converting the estimated stabilized net operating income into market value using a market derived overall capitalization rate. The overall rate is a ratio of net operating income to sales price, usually determined through recent sale comparisons.

Of the comparables used in the Sales Comparison Approach, four reported capitalization rates ranging between 6.50% and 8.30%. The low end reflects the July 2015 sale of a recently renovated building in the superior submarket of South Seattle, fully leased by DSHS. The high end is the December 2014 sale of two government occupied office buildings in Tumwater from 1991 and 2000. These feature poor parking and one building was set to expire in May 2016. Both around 7.50%, the remaining two sales were newer office buildings in Federal Way, well-leased by non-government tenants. Given the subject's current condition, government tenancy, and recent 5-year renewal, it would warrant a stabilized capitalization rate closest to these Federal Way sales at 7.50%.

We conducted further research for additional sales taking place in the current market for office properties. The best and most current market capitalization rate data are outlined in the following table.

RECENT CAPITALIZATION RATE SUMMARY

Property Name	City	Age	Bldg SF	Sale Date	Sale Price	Cap Rate
Richland Government Building	Richland	1995	57,937	Sep-15	\$6,300,000	8.49%
Social Security Building	Puyallup	2001	10,000	Sep-15	\$3,210,000	7.22%
DSHS	Seattle	1982; '08	40,738	Jul-15	\$8,200,000	6.50%
Washington Trucking Building	Federal Way	1980	11,500	Jun-15	\$1,300,000	8.30%
Maplewood Office Building	Federal Way	2005	32,074	May-15	\$5,850,000	7.40%
East Campus Corp. Park I	Federal Way	2001	105,807	Mar-15	\$17,900,000	7.50%
Union Ave. Medical Building	Tacoma	1986	19,643	Jan-15	\$3,710,458	7.98%
Chandler & Bristol Buildings	Olympia	1991/2000	103,618	Dec-14	\$15,000,000	8.30%
US Forest Service Building	Olympia	1991; '14	41,822	Dec-14	\$12,025,000	6.98%
Tacoma DSHS	Tacoma	1994	30,000	Oct-14	\$4,500,000	8.93%
King County Housing Building	Tukwila	1974	11,473	Aug-14	\$1,650,000	6.83%
M Parsons Plaza	Tumwater	2008	52,510	Jan-14	\$16,700,100	6.50%
FAA Building	Renton	1990	199,168	Nov-11	\$35,250,000	8.35%
Average						7.64%
Min						6.50%
Max						8.93%

The data show a range of capitalization rates mainly between 6.5% and 9.0% with an average just above 7.5%. Rates below 7% have typically been reserved for buildings with strong, long-term tenancy that benefit from close-in positioning and/or new construction. Into the 7-8% range you find older structures of good condition and solid tenancy, with rates increasing as building age and remaining term/tenant quality falls. Rates then quickly rise above 8% when significant vacancy is present, as leasing activity can be slow and there is still general uncertainty surrounding the submarket.

Overall, the subject would warrant a stabilized capitalization rate around the middle of this range. This is based on the building's functional condition, government tenancy, and recent 5-year renewal.

Another source for capitalization rates are investor surveys. On a national basis, the PwC Investor Survey 3rd Quarter 2016 reported the overall capitalization rate range for the Seattle Office Market at 4.5% to 8.00%. The average is 5.81%, down from 6.18% a year ago and 6.71% three years ago. Overall, rates in the Puget Sound Region are trending slightly higher than national rates.

Based upon all the above information and considering the condition of the subject property, an appropriate overall capitalization rate for the subject property is a range of 7.25% to 7.75%.

A summary of the direct capitalization analysis is shown on the following page:

Summary of Direct Capitalization
640 Woodland Sq. Loop SE

		Appraiser's Forecast	
INCOME	RA (SF)	FYE Dec '17	\$/SF/Yr
Rental Income	84,996	\$1,666,348	\$19.61
Reimbursable Expenses	84,996	\$0	\$0.00
POTENTIAL GROSS INCOME (PGI)	84,996	\$1,666,348	
VACANCY & COLLECTION LOSS	5.0%	\$83,317	\$0.98
EFFECTIVE GROSS INCOME (EGI)		\$1,583,030	\$18.62
EXPENSES			
RECOVERABLE			
Real Estate Taxes		\$102,868	\$1.21
Insurance		\$21,249	\$0.25
Management	2.5%	\$39,576	\$0.47
Utilities		\$169,992	\$2.00
Landscaping & Security		\$38,248	\$0.45
Repairs & Maintenance		\$84,996	\$1.00
Janitorial		\$84,996	\$1.00
Miscellaneous		\$4,250	\$0.05
Total Recoverable Expenses		\$546,175	\$6.43
NON-RECOVERABLE			
Replacement Reserves		\$8,500	\$0.10
Legal/Accounting		\$4,250	\$0.05
Total Recoverable Expenses		\$12,749	\$0.15
TOTAL EXPENSES		\$558,924	\$6.58
NET OPERATING INCOME		\$1,024,106	\$12.05
AS-IS MARKET VALUE			
NOI capitalized at:	7.25%	\$14,125,600	\$166
	7.75%	\$13,214,271	\$155
RECONCILED VALUE	7.48%	\$13,700,000	\$161
(Rounded)			

Income Approach Applying these capitalization rates results in the following market values:
Value Conclusion

7.25% = \$14,125,600
7.75% = \$13,214,271

We correlate this to a stabilized market value toward the middle of the range at \$13,700,000.

Lease-Up Costs Since the subject is only 83% occupied, we included potential lease up costs that an investor would incorporate into their analysis.

Lease Up Costs

RECONCILED AS-IS VALUE \$13,700,000

Total Rentable Area		84,996 Sq Ft
Stabilized Occupancy	95.0%	80,746 Sq Ft
Less leased Area	82.9%	70,449 Sq Ft
SF to be leased to reach Stabilized	12.1%	10,297 Sq Ft

Deductions to complete absorption 10,297 Sq Ft

Absorption Estimate - months		18.0
Straight-line Average downtime		9.0
Lost Rent at Market (\$/Sq Ft)	\$20.60	\$159,072
Lost Expense Reimbursement (\$/sf/mo)	\$0.00	-
Commissions (5% of 5 Year of Lease Term)		\$53,024
TI Allowance (\$/sf)	\$20.00	\$205,940
Subtotal		\$418,036
Entrepreneurial Profit	30%	\$125,411
Total Absorption Deductions (rounded)		\$540,000

VALUE AFTER LEASE-UP COSTS (Rounded) \$13,200,000

Income Approach Conclusion After Lease-Up Costs Based on market trends, absorption is projected within 18 months for an average downtime of 9 months. After deducting lost rent, TI allowances, commissions, and entrepreneurial profit, the reconciled value determined from the Income Approach is \$13,200,000.

Reconciliation & Final Value Opinion

Reconciliation & Final Value Estimate

Final Value Estimate The approaches to value utilized in this report have indicated the following values for the subject property:

Cost Approach	N/A
Sale Comparison Approach	\$13,200,000
Income Capitalization Approach	\$13,200,000

The Income Capitalization and Sales Comparison Approaches concluded to the same market values. Considering the subject's characteristics and current lease in place, an investor would be the most likely buyer of the subject. This buyer profile would place emphasis on the Income Capitalization Approach.

VALUE CONCLUSION Based on this analysis, the prospective market value of the leased fee interest in the subject, as of January 1, 2017, is concluded to:

\$13,200,000

ADDENDUM

Engagement Letter

September 27, 2016

Scott Switzer of
Seahawk Portfolio LLC, Mariners Portfolio LLC, WA Portfolio LLC, and Olympia Office LLC
10900 4th Ave., Suite 2300
Bellevue, WA 98004

Via e-mail - Scott@snsll.com

RE: Engagement of Services – Nine Appraisal Reports

Dear Mr. Switzer:

We are pleased to have the opportunity to furnish appraisal services for the nine properties listed below:

- | | |
|---|---|
| #1) CD 1-02 FEMA
629 Woodland Square Loop, Lacey, WA | #6) CDC1-15-DSHS
640 Woodland Square Loop, Lacey, WA |
| #2) CDC1-13 Ins Comm
5000 Capital - Tumwater, WA | #7) CDC1-18 DSHS
805 S. Mission St., Wenatchee, WA |
| #3) CDC1 -03 DOC
637 Woodland Square Loop, Lacey, WA | #8) CDC1-16 DSHS
1620 Pioneer Way, Moses Lake, WA |
| #4) CDC 1 - 04 DOL
645 Woodland Square Loop, Lacey, WA | #9) CDC1-11 West Seattle
8830 25th Ave., SW, Seattle, WA |
| #5) CDC-1-14 Gambling Comm
4565 7th Ave. SE, Lacey, WA | |

The purpose of this letter is to confirm the scope of our services for this engagement, our office practices and policies.

We will prepare the appraisals report using an appraisal process in accordance with the appraisal reporting standards of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. It will contain the descriptions, comparative data, analyses, conclusions and exhibits generally considered essential to a documented appraisal report. In addition, our services will comply with and be subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. The intended user of these appraisals is the client. The intended use of these appraisals is for internal purposes of valuing the properties.

The cost of the nine appraisals will be \$. This fee is based on the scope and timing of our analysis as outlined in this letter. If the scope of analysis changes during the appraisal process, the change could alter the cost. At the stated fee you will receive an electronic copy of the report in PDF format. You may request up to two optional hard copies without additional charge by checking the box by the signature block. Additional hard copies will be available at nominal expense (billed at \$75/hour for administrative staff's time), but it is helpful if we know of your copy requirements at the time we begin work on the project. It is our custom to accept a 50 percent retainer at the time we are authorized to proceed. Payment for our services is due no later than 30 days following delivery of the completed reports. Any past-due accounts bear interest at the rate of 18 percent per year.

Scott Switzer of
September 27, 2016
Page 2

Appraisal values will be reported on October 20th, 2016 and we anticipate delivery of the reports will be made within six weeks from the date we receive from you a signed copy of this engagement letter authorizing us to proceed.

We do not anticipate that any disputes will arise out of our relationship with you. However, if any dispute should arise about our services or fees or any other aspect of our relationship, we and you agree to seek a fair negotiated resolution. If this is not successful, all disputes shall be resolved by binding arbitration in Seattle under the American Arbitration Association ("AAA") Commercial Arbitration Rules with Expedited Procedures in effect on the date hereof. The arbitrator may award attorneys' fees and costs to the prevailing party.

If you agree with these terms of engagement and wish us to proceed, please sign where indicated below and return the letter together with your check for \$ _____ representing the retainer.

Very truly yours,

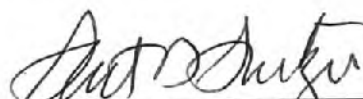
KIDDER MATHEWS



David M. Chudzik, Ph.D., MAI
Vice President

Check if two hard copy reports are required: ☐

ACCEPTED & AGREED this 27th day of September, 2016:


Authorized agent for the LLC's

092716 Scott Switzer /sh

Title Report



COMMITMENT FOR TITLE INSURANCE

Issued by

FIRST AMERICAN TITLE INSURANCE COMPANY

First American Title Insurance Company, herein called the Company, for valuable consideration, hereby commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the proposed Insured named in Schedule A, as owner or mortgagor of the estate or interest covered hereby in the land described or referred to in Schedule A, upon payment of the premiums and charges therefor; all subject to the provisions of Schedules A and B and to the Conditions and Stipulations hereof.

This Commitment shall be effective only when the identity of the proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A hereof by the Company, either at the time of the issuance of the Commitment or by subsequent endorsement.

This Commitment if preliminary to the issuance of such policy or policies of title insurance and all liability and obligations hereunder shall cease and terminate six (6) months after the effective date hereof or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue such policy or policies is not the fault of the Company. This Commitment shall not be valid or binding until countersigned by an authorized officer or agent.

IN WITNESS WHEREOF, the Company has caused this commitment to be signed, to become valid when countersigned by an authorized officer or agent of the Company, all in accordance with its By-Laws. This Commitment is effective as of the date shown in Schedule A as "Effective Date."

First American Title Insurance Company

Dennis J. Gilmore
President

Jeffrey S. Robinson
Secretary



***First American Title Insurance Company
National Commercial Services***

818 Stewart Street, Suite 800, Seattle, WA 98101
(206)728-0400 - (800)526-7544 FAX (206)448-6348

Lavonne Bowman
(206)615-3269
lavbowman@firstam.com

Jessica Bowerman
(206)615-3049
jbowerman@firstam.com

To: **Philips International**
295 Madison Avenue
New York, NY 10017

File No.: **NCS-811748-WA1**
Your Ref No.: **Thurston Co**

Attn: **Robyn Tuerk, Esq.**

SCHEDULE A

1. Commitment Date: September 02, 2016 at 7:30 A.M.

2. Policy or Policies to be issued:

	AMOUNT	PREMIUM	TAX
ALTA Standard Owner Policy	\$ To follow	\$	\$

Proposed Insured:
To follow

3. The estate or interest in the land described on Page 2 herein is **Fee Simple**, and title thereto is at the effective date hereof vested in:

645 Woodland, LLC, a Washington limited liability company as to Lot 10 of Parcel A and CDC Properties I, L.L.C., a Delaware limited liability company as to the remainder

4. The land referred to in this Commitment is described as follows:

The land referred to in this report is described in Exhibit "A" attached hereto.

EXHIBIT 'A'

LEGAL DESCRIPTION:

PARCEL A:

LOTS 10 AND 11 WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON.

PARCEL B:

PARCELS A AND B OF BOUNDARY LINE ADJUSTMENT NO. SS-BLA-6144 RECORDED UNDER RECORDING NO. [8709180126](#), RECORDS OF THURSTON COUNTY, WASHINGTON.

(BEING LOTS 12, 13 AND 14 WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON)

PARCEL C:

PARCEL A OF BOUNDARY LINE ADJUSTMENT NO. BLA-6196 RECORDED UNDER RECORDING NO. [9010160091](#), RECORDS OF THURSTON COUNTY, WASHINGTON.

(BEING LOTS 31 THROUGH 34 WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON)

PARCEL D:

LOTS 35 AND 36 OF WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON.

PARCEL E:

LOTS 1 THROUGH 6 INCLUSIVE AND LOTS 9 THROUGH 16 INCLUSIVE, ALL IN TROSPER ADDITION TO TUMWATER, AS PER PLAT RECORDED IN [VOLUME 11 OF PLATS, PAGE 107](#), RECORDS OF THURSTON COUNTY, WASHINGTON;

EXCEPT THE SOUTH 18 FEET OF SAID LOT 6;

AND ALSO EXCEPT THOSE PORTIONS OF LOTS 1 AND 16 OF SAID PLAT CONVEYED TO THE CITY OF TUMWATER FOR STREET PURPOSES BY DEEDS RECORDED UNDER RECORDING NOS. 912527 AND 926019;

TOGETHER WITH THOSE PORTIONS OF VACATED MARKET STREET ABUTTING AND ADJOINING SAID LOTS VACATED BY ORDINANCE 515, RECORDED UNDER RECORDING NO. 775791, WHICH UPON VACATION REVERTED TO SAID PREMISES BY OPERATION OF LAW.

SCHEDULE B - SECTION 1
REQUIREMENTS

The following are the Requirements to be complied with:

- Item (A) Payment to or for the account of the Grantors or Mortgagors of the full consideration for the estate or interest to be insured.
- Item (B) Proper instrument(s) creating the estate or interest to be insured must be executed and duly filed for record.
- Item (C) Pay us the premiums, fees and charges for the policy.
- Item (D) You must tell us in writing the name of anyone not referred to in this Commitment who will get an interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions

SCHEDULE B - SECTION 2
GENERAL EXCEPTIONS

The Policy or Policies to be issued will contain Exceptions to the following unless the same are disposed of to the satisfaction of the Company.

- A. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
- B. Any facts, rights, interest, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of person in possession thereof.
- C. Easements, claims of easement or encumbrances which are not shown by the public records.
- D. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
- E. (1) Unpatented mining claims; (2) reservations or exceptions in patents or in acts authorizing the issuance thereof; (3) Water rights, claims or title to water; whether or not the matters excepted under (1), (2) or (3) are shown by the public records; (4) Indian Tribal Codes or Regulations, Indian Treaty or Aboriginal Rights, including easements or equitable servitudes.
- F. Any lien, or right to a lien, for services, labor, materials or medical assistance heretofore or hereafter furnished, imposed by law and not shown by the public records.
- G. Any service, installation, connection, maintenance, construction, tap or reimbursement charges/costs for sewer, water, garbage or electricity.
- H. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date the proposed insured acquires of record for value the estate or interest or mortgages thereon covered by this Commitment.

**SCHEDULE B - SECTION 2
(continued)
SPECIAL EXCEPTIONS**

1. Lien of the Real Estate Excise Sales Tax and Surcharge upon any sale of said premises, if unpaid. As of the date herein, the excise tax rate for the **City of Tumwater (Parcel E) and Lacey (the remainder)** is at **1.78%**.
Levy/Area Code: 440 and 241

For all transactions recorded on or after July 1, 2005:

- A fee of \$10.00 will be charged on all exempt transactions;
- A fee of \$5.00 will be charged on all taxable transactions in addition to the excise tax due.

2. Matters of extended owner/purchaser coverage which are dependent upon an inspection and an ALTA survey of the property for determination of insurability.

Please submit a copy of the ALTA Survey at your earliest convenience for review. Our inspection will be held pending our review of the ALTA Survey and the result of said inspection will be furnished by supplemental report.

3. Evidence of the authority of the individual(s) to execute the forthcoming document for 645 Woodland, LLC, a Washington limited liability company, copies of the current operating agreement should be submitted prior to closing.
4. Evidence of the authority of the individual(s) to execute the forthcoming document for CDC Properties I, L.L.C., a Delaware limited liability company, copies of the current operating agreement should be submitted prior to closing.
5. Title to vest in an incoming owner whose name is not disclosed. Such name must be furnished to us so that a name search may be made.
6. Unrecorded leaseholds, if any, rights of vendors and security agreement on personal property and rights of tenants, and secured parties to remove trade fixtures at the expiration of the term.
7. Prior to issuance of an extended coverage policy, the Company will require an Owner's Affidavit be completed and submitted to the Company for approval prior to closing. The Company reserves the right to make any additional requirement as warranted.

The Following Matters Affect Parcel A:

8. General Taxes for the year 2016.

Tax Account No.:	8499-00-01000
Amount Billed:	\$ 8,719.98
Amount Paid:	\$ 4,359.99
Amount Due:	\$ 4,359.99
Assessed Land Value:	\$ 262,400.00
Assessed Improvement Value:	\$ 426,900.00

(Affects Lot 10)

9. General Taxes for the year 2016.

Tax Account No.:	8499-00-01100
Amount Billed:	\$ 3,749.42
Amount Paid:	\$ 1,874.71
Amount Due:	\$ 1,874.71
Assessed Land Value:	\$ 262,350.00
Assessed Improvement Value:	\$ 33,600.00

(Affects Lot 11)

10. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

11. Easement, including terms and provisions contained therein:

Recording Information:	December 6, 1971 under Recording No. 856136
In Favor of:	National Guaranty Properties, Inc., a Washington corporation
For:	Utilities
Affects:	as described therein

12. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

13. Easement, including terms and provisions contained therein:

Recording Information:	September 3, 1985 under Recording No. 8509030026
In Favor of:	Puget Sound Power & Light Company
For:	Electric transmission and/or distribution system
Affects:	as described therein

14. Easement, including terms and provisions contained therein:

Recording Information:	September 10, 1987 under Recording No. 8709100109
In Favor of:	Washington Natural Gas Company
For:	Gas pipe lines
Affects:	as described therein

15. Deed of Trust and the terms and conditions thereof.

Grantor/Trustor:	CDC Properties I LLC
Grantee/Beneficiary:	Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns
Trustee:	First American Title Company
Amount:	\$43,257,500.00
Recorded:	October 1, 2004
Recording Information:	3677846 , 3677847 , 3677848 and 3677849

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788501](#), [3788502](#), [3788503](#), [3788504](#), [3788505](#) and [3788506](#) of Official Records.

Document(s) declaring modifications thereof recorded November 29, 2012 as [4303262](#) of Official Records.

A document recorded March 9, 2016 as [4490575](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509671](#) of Official Records.

16. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns
Recorded: October 1, 2004
Recording Information: [3677850](#) and [3677851](#)

According to the public records, the beneficial interest under the assignment of leases was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788501](#), [3788502](#), [3788503](#), [3788504](#), [3788505](#) and [3788506](#) of Official Records.

(Affects Lot 11)

17. A financing statement recorded October 6, 2004 as Recording No. [3679094](#) of Official Records.
Debtor: CDC Properties I LLC
Secured party: Merrill Lynch Mortgage Lending, Inc.

According to the public records, the security interest of the secured party was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by document recorded November 29, 2005 as Recording No. [3788517](#) of Official Records.

An amendment to the financing statement was recorded October 7, 2014 as [4412200](#) of Official Records.

(Affects Lot 11)

18. A lease dated February 25, 2008, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Licensing as lessee, for a term of 5 years recorded April 2, 2008 as [4000163](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lots 10 and 11)

19. A lease dated January 28, 2009, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded February 26, 2009 as [4062838](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 11 and other property)

20. A lease dated July 20, 2012, executed by 645 Woodland, LLC, a Washington limited liability company as lessor and State of Washington, Department of Licensing as lessee, for a term of 5 years recorded October 30, [2012 as 4297374](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 10)

21. A lease dated July 20, 2012, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Licensing as lessee, for a term of 5 years recorded October 30, 2012 as [4297375](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 11)

22. A lease dated April 4, 2014, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded September [2, 2014 as 4407084](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 11 and other property)

The Following Matters Affect Parcel B:

23. General Taxes for the year 2016.

Tax Account No.:	8499-00-01400
Amount Billed:	\$ 35,805.83
Amount Paid:	\$ 17,902.91
Amount Due:	\$ 17,902.92
Assessed Land Value:	\$ 383,550.00
Assessed Improvement Value:	\$ 2,449,200.00

(Affects Parcel A)

24. General Taxes for the year 2016.

Tax Account No.:	8499-00-01200
Amount Billed:	\$ 21,094.97
Amount Paid:	\$ 10,547.48
Amount Due:	\$ 10,547.49
Assessed Land Value:	\$ 321,700.00
Assessed Improvement Value:	\$ 1,346,900.00

(Affects Parcel B)

25. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

26. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

27. Easement, including terms and provisions contained therein:

Recording Information:	September 3, 1985 under Recording No. 8509030026
In Favor of:	Puget Sound Power & Light Company
For:	Electric transmission and/or distribution system
Affects:	as described therein

28. Easement, including terms and provisions contained therein:

Recording Information:	August 18, 1987 under Recording No. 8708180149
In Favor of:	Puget Sound Power & Light Company
For:	Electric transmission and/or distribution system
Affects:	as described therein

29. Easement, including terms and provisions contained therein:
Recording Information: September 10, 1987 under Recording No. [8709100109](#)
In Favor of: Washington Natural Gas Company
For: Gas pipe lines
Affects: Exterior 7 feet of all lots abutting street frontage
30. Terms, covenants, conditions and restrictions as contained in recorded Lot Line Adjustment (Boundary Line Revision) SS-BLA-6144 :
Recorded: September 18, 1987
Recording Information: [8709180126](#)
31. The terms and provisions contained in the document entitled Agreement and Waiver of Protest, executed by and between Rainier General, Inc., and City of Lacey, recorded March 30, 1988 as Instrument No. [8803300035](#) of Official Records.
32. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC, a Delaware limited liability company
Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677834](#), [3677835](#), [3677836](#) and [3677837](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788483](#), [3788484](#), [3788485](#), [3788486](#), [3788487](#) and [3788488](#) of Official Records.

A document recorded March 9, 2016 as [4490577](#) of Official Records provides that Rainier Foreclosure Services, Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509651](#) of Official Records.

(Affects Parcel A)

33. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677838](#) and [3677839](#)
- Assignment of Assignment of Leases and Rents:
Assignor: Merrill Lynch Mortgage Lending, Inc., a Delaware corporation
Assignee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recorded: November 29, 2005

Recording Nos.: [3788483, 3788484, 3788485, 3788486, 3788487 and 3788488](#)

(Affects Parcel A)

34. Deed of Trust and the terms and conditions thereof.
- | | |
|------------------------|---|
| Grantor/Trustor: | CDC Properties I LLC, a Delaware limited liability company |
| Grantee/Beneficiary: | Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns |
| Trustee: | First American Title Company |
| Amount: | \$43,257,500.00 |
| Recorded: | October 1, 2004 |
| Recording Information: | 3677840, 3677841, 3677842 and 3677843 |

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788489, 3788490, 3788491, 3788492, 3788493 and 3788494](#) of Official Records.

A document recorded March 9, 2016 as [4490573](#) of Official Records provides that Rainier Foreclosure Services, Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509650](#) of Official Records.

(Affects Parcel B)

35. Assignment of leases and/or rents and the terms and conditions thereof:
- | | |
|------------------------|--|
| Assignor: | CDC Properties I LLC, a Delaware limited liability company |
| Assignee: | Merrill Lynch Mortgage Lending, Inc. |
| Recorded: | October 1, 2004 |
| Recording Information: | 3677844 and 3677845 |

Assignment of Assignment of Leases and Rents:

Assignor:	Merrill Lynch Mortgage Lending, Inc., a Delaware corporation
Assignee:	Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recorded:	November 29, 2005
Recording Nos.:	3788489, 3788490, 3788491, 3788492, 3788493 and 3788494

(Affects Parcel B)

36. A document entitled "Perpetual Reciprocal Easement, Mutual Maintenance Agreement and Covenant Running with the Land", executed by and between CDC Properties II LLC, a Delaware limited liability company and Blake Office Park LLC, a Washington limited liability company recorded April 14, 2008, as Instrument No. [4002859, 4002860 and 4002861](#) of Official Records.

(Affects Parcel A)

37. A lease dated January 28, 2009, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded February 26, 2006 as [4062838](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects said premises and other property)

38. A lease dated August 9, 2011, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and State of Washington, Employment Security Department as lessee, for a term of 5 years recorded August 26, 2011 as [4225692](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

39. A lease dated April 4, 2014, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded September 2, 2014 as [4407084](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects said premises and other property)

The Following Matters Affect Parcel C:

40. General Taxes for the year 2016.

Tax Account No.:	8499-00-03100
Amount Billed:	\$ 76,519.23
Amount Paid:	\$ 38,259.61
Amount Due:	\$ 38,259.62
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 5,712,500.00

(Affects Lot 31)

41. General Taxes for the year 2016.

Tax Account No.:	8499-00-03200
Amount Billed:	\$ 5,205.21
Amount Paid:	\$ 2,602.60
Amount Due:	\$ 2,602.61
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 69,000.00

(Affects Lot 32)

42. General Taxes for the year 2016.

Tax Account No.:	8499-00-03300
Amount Billed:	\$ 5,568.50
Amount Paid:	\$ 2,784.25
Amount Due:	\$ 2,784.25
Assessed Land Value:	\$ 373,000.00
Assessed Improvement Value:	\$ 66,900.00

(Affects Lot 33)

43. General Taxes for the year 2016.

Tax Account No.:	8499-00-03400
Amount Billed:	\$ 5,425.71
Amount Paid:	\$ 2,712.85
Amount Due:	\$ 2,712.86
Assessed Land Value:	\$ 373,000.00
Assessed Improvement Value:	\$ 55,600.00

(Affects Lot 34)

44. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

45. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said Plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

46. Easement, including terms and provisions contained therein:
Recording Information: September 3, 1985 under Recording No. [8509030026](#)
In Favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution system
Affects: as described therein
47. Easement, including terms and provisions contained therein:
Recording Information: September 10, 1987 under Recording No. [8709100109](#)
In Favor of: Washington Natural Gas Company
For: Gas pipe lines
Affects: as described therein
48. Terms, covenants, conditions and restrictions as contained in recorded Lot Line Adjustment (Boundary Line Revision) BLA No. BLA - 6196 :
Recorded: October 16, 1990
Recording Information: [9010160091](#)
49. Easement, including terms and provisions contained therein:
Recording Information: June 17, 1999 under Recording No. [3237665](#)
In Favor of: City of Lacey
For: Utilities
Affects: as described therein
50. A lease dated April 30, 2001, executed by Capital Development Company as lessor and State of Washington, Gambling Commission as lessee, for a term of 10 years recorded June 6, 2001 as Recording No. [3357438](#) of Official Records.
- Said lease, among other things provides for an option to renew for a period of 1 additional five year term.
- Document(s) declaring modifications thereof recorded as [3515647](#), [3695550](#), [3702397](#) and [3745306](#) of Official Records.
51. Easement, including terms and provisions contained therein:
Recording Information: August 17, 2001 under Recording No. [3373010](#)
In Favor of: City of Lacey
For: Utilities
Affects: as described therein
52. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC, a Delaware limited liability company

Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc.
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677822, 3677823, 3677824 and 3677825](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005- MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788495, 3788496, 3788497, 3788498, 3788499 and 3788500](#) of Official Records.

A document recorded March 9, 2016 as [4490578](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509652](#) of Official Records.

53. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC., a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677826 and 3677827](#)

Assignment of Assignment of Leases and Rents and Security Deposits:
Assignor: Merrill Lynch Mortgage Lending, Inc.
Assignee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005- MCP1
Recording Date: November 29, 2005
Recording Nos: [3788495, 3788496, 3788497, 3788498, 3788499 and 3788500](#)

54. Subordination, non-disturbance and attornment agreements:
Between Merrill Lynch Mortgage Lending, Inc.
And CDC Properties I, LLC
Recorded February 16, 2005
Recording Nos.: [3709712 and 3709713](#)

55. A lease dated November 30, 2005, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Services for the Blind, acting through the Department of General Administration as lessee, for a term of 5 years, 7 months recorded March 8, 2006 as Recording No. [3813420](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

56. A lease dated November 30, 2005, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Social and Health Services, acting through the Department of General Administration as lessee, for a term of 5 years & 7 months recorded March 8, 2006 as Recording No. [3813421](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

57. A lease dated August 18, 2006, executed by CDC Properties I, LLC and CDC Properties II, LLC., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Early Learning, acting through the Department of General Administration as lessee, for a term of 5 years recorded September 6, 2006 as Recording No. [3862862](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

58. A lease dated August 18, 2006, executed by CDC Properties I, LLC and CDC Properties II, LLC as lessor and State of Washington Department of Early Learning as lessee, for a term of 5 years recorded September 20, 2006 as [3866708](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

Document(s) declaring modifications thereof recorded September 13, 2007 as [3957547](#) of Official Records.

59. A lease dated October 6, 2006, executed by CDC Properties I, LLC., a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and The State of Washington, Department of Revenue, acting through the Department of General Administration as lessee, for a term of 5 years recorded January 8, 2007 as Recording No. [3893390](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

60. A lease dated March 28, 2007, executed by CDC Properties I, LLC and CDC Properties II, LLC., its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Social and Health Services, acting through the Department of General Administration as lessee, for a term of 5 years recorded April 26, 2007 as Recording No. [3921776](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

61. A lease dated July 20, 2007, executed by CDC Properties I, L.L.C., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953398](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

62. A lease dated July 20, 2007, executed by CDC Properties I, L.L.C., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953399](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

63. A lease dated July 20, 2007, executed by CDC Properties I, L.L.C., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953400](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

64. A lease dated July 19, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company and CDC Properties II, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Health Care Authority, acting through the Department of General Administration as lessee, for a term of 5 years recorded September 18, 2007 as Recording No. [3958584](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

Document(s) declaring modifications thereof recorded March 3, 2009 as [4064210](#) of Official Records.

65. A lease dated March 10, 2009, executed by State of Washington, Health Care Authority as lessor and State of Washington, Employment Security Department as lessee, for a term of 3 years recorded April 23, 2009 as [4076435](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

66. A lease dated May 21, 2009, executed by CDC Properties I, LLC as lessor and State of Washington, Sentencing Guidelines Commission as lessee, for a term of 5 years recorded June 18, 2009 as [4091170](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

67. A lease dated June 9, 2010, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 5 years recorded July 20, 2010 as [4160983](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

Document(s) declaring modifications thereof recorded April 18, 2011 as [4206949](#) of Official Records.

68. A lease dated August 9, 2011, executed by CDC Properties I, LLC as lessor and State of Washington, Employment Security Department as lessee, for a term of 5 years recorded August 26, 2011 as [4225692](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

69. A lease dated December 13, 2011, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Services for the Blind as lessee, for a term of 5 years recorded May 29, 2012 as [4268098](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

70. A lease dated March 2, 2012, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 5 years recorded May 29, 2012 as [4268100](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

71. A lease dated June 4, 2014, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Services for the Blind as lessee, for a term of 5 years recorded August 11, 2014 as [4404014](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

72. A lease dated September 16, 2014, executed by State of Washington, Employment Security Department as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 2 years recorded November 19, 2014 as [4417955](#) of Official Records.

(Affects a portion of said premises and other property)

The Following Matters Affect Parcel D:

73. General Taxes for the year 2016.

Tax Account No.:	8499-00-03500
Amount Billed:	\$ 5,094.01
Amount Paid:	\$ 2,547.00
Amount Due:	\$ 2,547.01
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 60,200.00

(Affects Lot 35)

74. General Taxes for the year 2016.

Tax Account No.:	8499-00-03600
Amount Billed:	\$ 89,839.35
Amount Paid:	\$ 44,919.67
Amount Due:	\$ 44,919.68
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 6,766,600.00

(Affects Lot 36)

75. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

76. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said Plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

77. Easement, including terms and provisions contained therein:

Recording Information:	September 3, 1985 under Recording No. 8509030026
In Favor of:	Puget Sound Power & Light Company, a Washington corporation
For:	Electric transmission and/or distribution system
Affects:	as described therein

78. Easement, including terms and provisions contained therein:

Recording Information:	September 10, 1987 under Recording No. 8709100109
In Favor of:	Washington Natural Gas Company, its successors and assigns
For:	Gas pipe lines
Affects:	as described therein

79. Easement, including terms and provisions contained therein:
Recording Information: June 17, 1999 under Recording No. [3237665](#)
In Favor of: City of Lacey, a municipal corporation
For: Utilities
Affects: as described therein
80. Easement, including terms and provisions contained therein:
Recording Information: March 2, 2000 under Recording No. [3281842](#)
In Favor of: Puget Sound Energy, Inc., a Washington corporation
For: Transmission, distribution and sale of gas and electricity
Affects: (Lot 36) as described therein

81. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC
Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc.
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677816, 3677817, 3677818 and 3677819](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788507, 3788508, 3788509, 3788510, 3788511 and 3788512](#) of Official Records.

A document recorded March 9, 2016 as [4490574](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509649](#) of Official Records.

82. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677820 and 3677821](#)

Assignment of Assignment of Leases and/or Rents:

Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recorded: November 29, 2005
Recording Nos.: [3788507, 3788508, 3788509, 3788510, 3788511 and 3788512](#)

83. A lease dated July 20, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and State of Washington, Employment Security Department, acting through the Department of General

Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953398](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of an additional term of 5 years.

Affects: The land and other property.

84. A lease dated July 20, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953399](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of an additional term of 5 years.

Affects: The land and other property.

85. A lease dated July 20, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953400](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of an additional term of 5 years.

Affects: The land and other property.

86. A lease dated June 9, 2010, executed by CDC Properties I, LLC and CDC Properties II, LLC as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 5 years recorded July 20, 2010 as [4160983](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

Affects: The land and other property.

Document(s) declaring modifications thereof recorded April 18, 2011 as [4206949](#) of Official Records.

87. A lease dated August 9, 2011, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Employment Security Department as lessee, for a term of 5 years recorded August 26, 2011 as [4225692](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

Affects: The land and other property.

88. A lease dated September 16, 2014, executed by State of Washington, Employment Security Department as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 2 years recorded November 19, 2014 as [4417955](#) of Official Records.

Affects: The land and other property.

The Following Matters Affect Parcel E:

89. General Taxes for the year 2016.
Tax Account No.: 8040-00-00100
Amount Billed: \$ 95,406.23
Amount Paid: \$ 47,703.11
Amount Due: \$ 47,703.12
Assessed Land Value: \$ 955,950.00
Assessed Improvement Value: \$ 6,086,200.00
90. City liens, if any, for the city of Lacey.
Note: An inquiry has NOT been made concerning the actual status of such liens.
91. Easement, including terms and provisions contained therein:
Recording Information: [592302](#)
In Favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution system
Affects: as described therein
92. Easement, including terms and provisions contained therein:
Recording Information: [679183](#)
In Favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution system
Affects: as described therein
93. The terms, provisions and easement(s) contained in the document entitled "Easement Agreement" recorded March 21, 1986 as Recording No. [8603210099](#) of Official Records.
94. A lease dated January 15, 2002, executed by Capital Development Company, for its heirs, executors, administrators, successors, and assigns as lessor and The State of Washington Office of the Insurance Commissioner, acting through the Department of General Administration as lessee, for a term of 12 years recorded February 27, 2002 as Recording No. [3415237](#) of Official Records.
- Said lease, among other things provides for an option to renew for a period of an additional 5 years.
- Document(s) declaring modifications thereof recorded October 14, 2002 and February 17, 2005 as [3468958](#) and [3709860](#) of Official Records.
95. Easement, including terms and provisions contained therein:
Recording Information: May 21, 2002 under Recording No. [3435511](#)
In Favor of: City of Tumwater
For: Water main
Affects: 15 foot wide strips

96. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC
Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc.
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677828, 3677829, 3677830 and 3677831](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass- Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788477, 3788478, 3788479, 3788480, 3788481 and 3788482](#) of Official Records.

A document recorded March 9, 2016 as [4490576](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509645](#) of Official Records.

97. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677832 and 3677833](#)

Assignment of Assignment of Leases and Rents:

Assignor: Merrill Lynch Mortgage Lending, Inc.
Assignee: Wells Fargo Bank, N.A., as Trustee for the registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recording Nos: [3788477, 3788478, 3788479, 3788480, 3788481 and 3788482](#)
Recording Date: November 29, 2005

98. Subordination, non-disturbance and attornment agreements:
Between Merrill Lynch Mortgage Lending, Inc.
And CDC Properties I, LLC
Recorded February 16, 2005
Recording Nos.: [3709708 and 3709709](#)

99. A lease dated April 5, 2012, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and The State of Washington Office of the Insurance Commissioner, acting through the Department of Enterprise services as lessee, for a term of 5 years recorded may 29, 2012 as [4268097](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year period.

INFORMATIONAL NOTES

- A. Effective January 1, 1997, and pursuant to amendment of Washington State Statutes relating to standardization of recorded documents, the following format and content requirements must be met. Failure to comply may result in rejection of the document by the recorder.
- B. Any sketch attached hereto is done so as a courtesy only and is not part of any title commitment or policy. It is furnished solely for the purpose of assisting in locating the premises and First American expressly disclaims any liability which may result from reliance made upon it.
- C. The description can be abbreviated as suggested below if necessary to meet standardization requirements. The full text of the description must appear in the document(s) to be insured.
- Lots 10-14, 31-36, Woodland Square, [Vol. 20, P. 103](#) & 104
Parcels A-B BLA No. SS-BLA-6144, Rec. [8709180126](#)
Parcel A, BLA No. BLA - 6196, Rec. [9010160091](#)
Ptn Lots 1-6 & 9-16, Trosper Add., [Vol. 11, P. 107](#)
- D. A fee will be charged upon the cancellation of this Commitment pursuant to the Washington State Insurance Code and the filed Rate Schedule of the Company.

END OF SCHEDULE B



First American Title Insurance Company
National Commercial Services

COMMITMENT
Conditions and Stipulations

1. The term "mortgage" when used herein shall include deed of trust, trust deed, or other security instrument.
2. If the proposed Insured has or acquires actual knowledge of a defect, lien, encumbrance, adverse claim or other matter affecting the estate or interest or mortgage thereon covered by this Commitment, other than those shown in Schedule B hereof, and shall fail to disclose such knowledge to the Company in writing, the Company shall be relieved from liability for any loss or damage resulting from any act or reliance hereon to the extent the Company is prejudiced by failure to so disclose such knowledge. If the proposed Insured shall disclose such knowledge to the Company, or if the Company otherwise acquires actual knowledge of any such defect, lien, encumbrance, adverse claim or other matter, the Company at its option, may amend Schedule B of this Commitment accordingly, but such amendment shall not relieve the Company from liability previously incurred pursuant to paragraph 3 of these Conditions and Stipulations.
3. Liability of the Company under this Commitment shall be only to the named proposed Insured and such parties included under the definition of Insured in the form of Policy or Policies committed for, and only for actual loss incurred in reliance hereon in undertaking in good faith (a) to comply with the requirements hereof, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by this Commitment. In no event shall such liability exceed the amount stated in Schedule A for the Policy or Policies committed for and such liability is subject to the Insuring provisions, exclusion from coverage, and the Conditions and Stipulations of the form of Policy or Policies committed for in favor of the proposed Insured which are hereby incorporated by references, and are made a part of this Commitment except as expressly modified herein.
4. Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest or the lien of the Insured mortgage covered hereby or any action asserting such claim, shall be restricted to the provisions and Conditions and Stipulations of this Commitment.

The First American Corporation
First American Title Insurance Company
National Commercial Services
PRIVACY POLICY

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values, a copy of which can be found on our website at www.firstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

© 2001 The First American Corporation - All Rights Reserved

Improvement Schedule

DESCRIPTION	Budgeted	629	5000	637	645	4565	640	1620	8830	805	TOTAL
TENANT IMPROVEMENTS ESD (Draw 1 of 3 - Total Ti: \$360,000) ESD (Draw 2 of 3 - Total Ti: \$360,000) ESD (Draw 3 of 3 - Total Ti: \$360,000)	August September October						\$ 120,000.00 \$ 120,000.00 \$ 120,000.00				\$ 120,000.00 \$ 120,000.00 \$ 120,000.00
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 360,000.00	\$ -	\$ -	\$ -	\$ 360,000.00
LANDLORD WORK Floors 1-4 (Draw 1 of 3 - Total Landlord Work: \$1,351,965) Floors 1-4 (Draw 2 of 3 - Total Landlord Work: \$1,351,965) Floors 1-4 (Draw 3 of 3 - Total Landlord Work: \$1,351,965)	July August September						\$ 450,654.75 \$ 450,654.75 \$ 450,654.75				\$ 450,654.75 \$ 450,654.75 \$ 450,654.75
	August August						\$ 77,842.88 \$ 153,926.07				\$ 77,842.88 \$ 153,926.07
	August September October August		\$ 63,626.13 \$ 63,626.13 \$ 63,626.13						\$ 50,000.00		\$ 63,626.13 \$ 63,626.13 \$ 63,626.13 \$ 50,000.00
TOTAL: Tenant Improvements		\$ -	\$ 190,878.38	\$ -	\$ -	\$ -	\$ 1,583,733.20	\$ -	\$ 50,000.00	\$ -	\$ 1,824,611.58
BUILDING IMPROVEMENTS Demo Floors 1-4 (Draw 1 of 3 - Total: \$300,000) Demo Floors 1-4 (Draw 2 of 3 - Total: \$300,000) Demo Floors 1-4 (Draw 3 of 3 - Total: \$300,000) Roof Replacement Fluid Cooler Replacement (50% Down) Fluid Cooler Replacement (Final) Roof Replacement (Draw 1 of 2 - Total \$185,000) Roof Replacement (Draw 2 of 2 - Total \$185,000) Roof Replacement for 640 lower roof Building Envelope Repairs from mold issue	August September October August August September August September October September	\$ 100,000.00 \$ 100,000.00 \$ 100,000.00 \$ 400,000.00 \$ 400,000.00						\$ 165,000.00		\$ 92,500.00 \$ 92,500.00	\$ - \$ 100,000.00 \$ 100,000.00 \$ 165,000.00 \$ 400,000.00 \$ 400,000.00 \$ 92,500.00 \$ 92,500.00 \$ 100,650.00 \$ 150,000.00 \$ -
		\$ 1,100,000.00	\$ -	\$ -	\$ -	\$ -	\$ 250,650.00	\$ 165,000.00	\$ -	\$ 185,000.00	\$ 1,700,650.00
							\$ 170,838.33				\$ 170,838.33
						\$ 17,653.73 \$ 9,581.91					\$ 17,653.73 \$ 9,581.91
		\$ -	\$ -	\$ -	\$ -	\$ 27,235.64	\$ 170,838.33	\$ -	\$ -	\$ -	\$ 198,073.97
		\$ 1,100,000.00	\$ 190,878.38	\$ -	\$ -	\$ 27,235.64	\$ 2,365,221.53	\$ 165,000.00	\$ 50,000.00	\$ 185,000.00	\$ 4,083,335.55
TOTAL: Building Improvements		\$ 1,100,000.00	\$ -	\$ -	\$ -	\$ -	\$ 250,650.00	\$ 165,000.00	\$ -	\$ 185,000.00	\$ 1,700,650.00
Leasing Commissions 640 Bldg - Lease Commission-ESD 4565 Bldg - Lease Commission-DSHS/DVR 4565 Bldg - Lease Commission-Dept. Svcs Blind											
							\$ 170,838.33				\$ 170,838.33
						\$ 17,653.73 \$ 9,581.91					\$ 17,653.73 \$ 9,581.91
TOTAL: Capital Costs		\$ 1,100,000.00	\$ 190,878.38	\$ -	\$ -	\$ 27,235.64	\$ 2,365,221.53	\$ 165,000.00	\$ 50,000.00	\$ 185,000.00	\$ 4,083,335.55

Receivership Letter

Date: July 21, 2016

To: David Bornheimer, Senior Vice President, Midland Loan Services as servicer for Plaintiff, Wells Fargo Bank N.A. as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1 Commercial Pass-Through Certificates, Series 2005-MCP1 Plaintiff, U.S. Bank, N.A., as Successor-Trustee to LaSalle Bank National Association, as Trustee for the benefit of the Certificate Holders of Commercial Mortgage Pass-Through Certificates, Series MCCMT 2004-C2 D
Defendant, CDC Properties I, LLC
And Interested Parties

From: Edward Velton, Receiver, JSH Properties, Inc.

Re: CDC Properties I, LLC, Cause No. 16-2-10797-4-KNT
Receiver's Monthly Report: June 2016

Procedural Background:

On May 19, 2016, pursuant to the request by Wells Fargo Bank N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1 Commercial Pass-Through Certificates, Series 2005-MCP1 ("Wells Fargo") and U.S. Bank, N.A., as Successor-Trustee to LaSalle Bank National Association as Trustee for the Benefit of the Certificate Holders of Commercial Mortgage Pass-Through Certificates, Series MCCMT 2004-C2 ("U.S. Bank" and collectively with Wells Fargo, "Plaintiffs"), this Court entered an Order Appointing Custodial Receiver (Order), under which JSH Properties, Inc. (Receiver) was appointed custodial receiver to take charge of the assets relating to the properties:

- 1620 South Pioneer Way, Moses Lake, Washington 98837
- 805 S. Mission Street, Wenatchee, Washington 98801
- 629 Woodland Square Loop SE, Lacey, Washington 98503
- 637 Woodland Square Loop SE, Lacey, Washington 98503
- 640 Woodland Square Loop SE, Lacey, Washington 98503
- 645 Woodland Square Loop SE, Lacey, Washington 98503
- 4565 7th Avenue South, Lacey, Washington 98503
- 5000 Capitol Boulevard, Tumwater, Washington 98502
- 8830 25th Avenue SW, Seattle, Washington 98106

Receivership commenced on May 19, 2016. In accordance with Paragraph 3.4.2 of Order, Receiver submits the following report for May 2016.

Receivership Property:

The Properties over which Receiver has been appointed are as follows:

- 1620 South Pioneer Way, Moses Lake, Washington 98837
Type: Office
Tenant: Vacant
Occupied: 0%
- 805 S. Mission Street, Wenatchee, Washington 98801
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Social Health Services)
Occupied: 100%
- 629 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: Vacant
Occupied: 0%
- 637 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Corrections)
Occupied: 100%
- 640 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: 1 Tenant (State of Washington, Employment Security Department)
Occupied: 96.6%
- 645 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Licensing)
Occupied: 100%
- 4565 7th Avenue South, Lacey, Washington 98503
Type: Office
Tenant: 3 Tenant (State of Washington, Gambling Commission, Department of Social Health Services, and Department of Services for the Blind)
Occupied: 87.6%
- 5000 Capitol Boulevard, Tumwater, Washington 98502
Type: Office
Tenant: 1 Tenant (State of Washington, Office of the Insurance Commissioner)
Occupied: 100%
- 8830 25th Avenue SW, Seattle, Washington 98106
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Licensing)
Occupied: 100%

Status of Receivership:

1. Bond: Upon appointment Pursuant to Paragraph 3.2 of Order, Receiver posted a bond with Farmers Insurance Group in the amount of \$10,000, Bond No. #LSM0785717, issued by RLI Insurance Company.
2. Bank Account: Pursuant to Paragraph 3.4.1 of Order, Receiver established a bank account, at Umpqua Bank, Bellevue, WA branch (#XXXXXX4077). As of June 30, 2016, the bank account balance was \$414,079.33.

<u>JUNE 2016</u>	Debit	Credit	TOTAL
Deposits:			
- Deposit from Tenants	\$ 367,873.31		
- Owner Contribution	\$ -		
TOTAL Deposits	\$ 367,873.31		<u>\$ 367,873.31</u>
Withdrawals:			
- Receiver Fee		\$ 5,400.00	
- Operating Expenses		\$ 120,596.99	
- Utilities		\$ 44,430.64	
- Other Expenses		\$ -	
- Gen & Admin		\$ 1,804.04	
TOTAL Withdrawals		\$ 172,231.67	<u>\$ 172,231.67</u>
NET INCOME			<u>\$ 195,641.64</u>
ADJUSTMENTS			
- Tenant Improvements		\$ 706.26	
- Owner Contributions	\$ 214,340.14		
TOTAL Adjustments			<u>\$ 213,633.88</u>
MONTHLY CASH FLOW	JUNE 2016		<u>\$ 409,275.52</u>
BEGINNING CASH BALANCE			\$ 4,803.81
ENDING CASH BALANCE			\$ 414,079.33

3. Receiver's Counsel: Pursuant to Paragraph 3.3.5 of Order, Receiver hired counsel to assist Receiver in this matter. Receiver's counsel is Charles E. Shigley of Alston Courtneage and Bassetti LLP, located at 1420 – 5th Avenue, Suite 3650, Seattle, WA 98101.
4. Appointment of Jennifer Bell as Property Manager: To assist Receiver, Jennifer Bell has been appointed as the senior property manager (PM) for the portfolio. Jennifer has over twenty years of experience in commercial property management.

5. Operations and Maintenance

Site inspections of properties revealed numerous deferred maintenance items. The comprehensive list of deferred maintenance items are in the 2016 operating budget that was submitted on July 6, 2016.

The following maintenance items have been scheduled in June and are anticipated to be completed and paid for in the month of July.

○ **1620 Pioneer Way, Moses Lake, Washington 98837**

- Locks & Security – Rekeyed all building exterior doors that contained key ways.
- HVAC R&M – Miscellaneous repairs to Unit 9, 18 15, 17, 10, 11 & 19. Repairs to include new compressor, fan motor, refrigerant and belts. Performed preventative maintenance on all of the rooftop HVAC units.
- Electrical R&M – Removed abandoned low voltage cabling. Repaired some of the electrical due to it not meeting code and potentially being a fire hazard. Removed power poles and associated low voltage cabling and changed all burnt out lamps and non-functioning ballasts.
- Fire Safety R&M – Replaced the fire alarm control panel, installed a new alarm panel and installed a new annunciator panel. Tested and tagged all past due fire extinguishers. Performed a fire alarm panel test.
- Landscape R&M – Prepared seed bed and re-seeded the turf with blue grass and perennial rye. Thatched and aerated the turf. Hauled and removed trash containers, concrete table/benches. Removed seven (7) dead plum trees, pruned shrubs, weeded/barked beds and activated the irrigation system.

○ **805 S. Mission Street, Wenatchee, Washington 98801**

- Landscape Maintenance – Initial cleanup of property (weed, prune, trim and remove debris).
- HVAC R&M – Reset all Carrier economizers and mechanical cooling and ensure that all damper motors are functioning. Purchased HVAC supplies (filters, evaporator coil and v-belt). Changed filters, belts and cleaned the coils on the rooftop HVAC equipment.
- Fire Safety R&M – Replaced fire alarm control panel, pull stations, smoke detectors and horn strobes. Conducted the annual fire alarm panel test, wet pipe fire sprinkler test and backflow assembly test.

○ **629 Woodland Square Loop SE, Lacey, Washington 98503**

- Landscape Maintenance – Clean-up in West parking lot (prune trees/shrubs, remove selected shrubs, spray vegetation, rake/dispose leaves in planting bed and blow parking lot). Installed 20 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
- Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-striped the parking lot.
- Fire Safety R&M – Annual wet sprinkler test.
- Roof Maintenance – Includes painting of rusted sheet metal flashings and painting of rusted gas line.
- Elevator – Commenced Labor of Industries code work to remove the red tag.

- **637 Woodland Square Loop SE, Lacey, Washington 98503**
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-stripped the parking lot.
 - Fire Safety R&M – Annual wet sprinkler and backflow assembly test.
 - Landscape Maintenance – Pruned old ivy growth, installed 15 yards of bark, irrigation start up and sprinkler head repairs for the turf area and beds around the building.
 - Roof Maintenance – Installed missing rise block protection pads.

- **640 Woodland Square Loop SE, Lacey, Washington 98503 (640/4565 have a shared HVAC plant)**
 - HVAC – Replaced sheaves and belts for both fan motors on Fluid Cooler #1 and Fluid Cooler #2; Cleaning of Fluid Cooler #1 and Fluid Cooler #2; Installed additional seismic bracing on the condenser water piping; Repairs to HVAC Unit #1-#7 (1st Floor)
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-stripped the parking lot.
 - Fire Safety R&M – Annual wet sprinkler and backflow assembly test.
 - Landscape Maintenance – Pruned old ivy growth, installed 50 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
 - Consulting Services – OAC has been contracted to investigate the source of water intrusion and provide a report with their findings. Coordination with PBS Engineering & Environmental will take place for the remediation and permanent fix.
 - Consulting Services – PBS Engineering & Environmental has been contracted to assess conditions fungal abatement spec.

- **645 Woodland Square Loop SE, Lacey, Washington 98503**
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-stripped the parking lot.
 - Landscape Maintenance – Installed 10 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
 - Roof Maintenance – Painted existing gas line and install block pads under gas/electrical conduit to provide membrane protection.

- **4565 7th Avenue SE, Lacey, Washington 98503 (640/4565 have a shared HVAC plant)**
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-stripped the parking lot.
 - Landscape Maintenance – Pruned old ivy growth, installed 55 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
 - Fire Safety R&M – Annual fire extinguisher and backflow assembly test.
 - Roof Maintenance – Applied sealant to storm collar and top of pipe; reseal and paint duct work.

- **5000 Capitol Boulevard, Tumwater, Washington 98502**
 - Roof Maintenance – Installed block pad and painted rusted gas line on the roof.
 - Fire Safety R&M – Performed annual wet sprinkler, backflow assembly and fire extinguisher test.
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-striped the parking lot.
 - HVAC R&M – HVAC compressor was replaced for one of the rooftop units.
- **8830 25th Avenue SW, Seattle, Washington 98106**
 - Fire Safety R&M – Performed annual fire extinguisher test.

6. Site Visits:

Property management site visits to the properties are as follows:

- 8830 25th Avenue SW, Seattle, WA – June 15th
- 805 S. Mission Street, Wenatchee, WA – June 13th
- 1620 S. Pioneer Way, Moses Lake, WA – June 14th
- Lacey and Tumwater Properties – June 2nd, 6th, 10th, 16th, 20th and 24th

7. Management of Property:

Pursuant to Paragraph 3.3.4 of Order, on June 3, 2016, Receiver/PM submitted a 30-day draft budget to Midland Loan Services, a PNC Real Estate business. A draft budget for July 2016 through December 2016 was submitted to Midland Services on July 6th.

8. Marketing/Leasing of Property:

Pursuant to Paragraph 3.4.4 of Order, Receiver is authorized to market the Property to obtain new tenants for current vacant space(s) and discuss renewal options.

- **1620 S Pioneer Way, Moses Lake, Washington 98837**
Vacant – We have initiated discussions with the Moses Lake school district who is interested in leasing the building as an early learning center.
- **629 Woodland Square Loop SE, Lacey, Washington 98503**
Vacant – Working to bring the building to a leasable condition before offering to tenants.
- **640 Woodland Square Loop SE, Lacey, Washington 98503**
Employment Security Department – Lease has been renewed as follows:
Term: 5 Years (07/01/2016 – 06/30/2021)
RSF: 70,449
Rent: \$113,892.55 per month ⁽¹⁾

⁽¹⁾ The Lessee shall not be required to pay the rental rate increase referenced in Paragraph 4 above until all of the work requested by Lessee in Additional Lease Provision paragraph 19 has been completed by Lessor. Until all such work is completed and approved by Lessee, the rate of \$113,360.17 per month, as required under SRL 11-0037 shall continue in effect.

- **645 Woodland Square Loop SE, Lacey, Washington 98503**
Department of Licensing - Tenant has requested parking lot repairs. Tenant wants to discuss a five (5) year extension. Additional deferred maintenance remediation will be required. Tenant is developing a scope of work.

- **4565 7th Avenue South, Lacey, Washington 98503**
Gambling Commission – Tenant is relocating to a nearby building. They want a larger 1st floor space for their gambling lab. Tenant has requested a six-month extension while their new space is completed.
DSHS-DVAR – Tenant is proposing six months free rent. Landlord to remedy deferred maintenance. We expect to focus on this extension later this week.
Department of Services of the Blind – Tenant is requesting a five (5) year extension. Tenant hasn't made a proposal other than requiring Landlord to remedy deferred maintenance. This extension will become a priority this week after we complete the Insurance Commissioner and EDS leases.

- **5000 Capitol Boulevard, Tumwater, Washington 98502**
Office of the Insurance Commissioner – Lease is negotiated and work is priced. Lease renewal is with Lender for approval.

- **8830 25th Avenue SW, Seattle, Washington 98106**
Department of Licensing – Landlord is working on completing the Deferred Maintenance List that is attached to the last lease renewal that was signed in March 2016.

Dated this 21st, day of July, 2016



By:

Edward Velton
Receiver

Encl: As stated

Appraisers' Experience Data



David M. Chudzik, Ph.D., MAI

Vice President

Valuation Advisory Services

CAREER SUMMARY

Since joining Kidder Mathews' Valuation Advisory Services in October of 2004, David has provided valuation and consultation services for a wide variety of commercial property types including office, industrial, retail, multi-family, hospitality, marina and development properties. His experience includes complex properties like biotechnology research facilities, data centers, sawmills, shipyards, and other specialized property types. He has performed biotechnology valuation and market analysis on a national basis and authored the National Biotechnology Real Estate Market Analysis for GVA Worldwide. Assignments have included valuation of leasehold interests, air rights, condemnation compensation, conservation easements as well as market rent studies.

David's professional experience includes venture capital investing with emphasis in the life sciences industry. He has also worked as a development analyst and project manager at Seattle area real estate development companies. His development experience includes multi-family residential, commercial office, and marina developments.

David brings unique qualifications to real estate valuation and consulting making him well-qualified in the analysis of some of the most complex and sophisticated real estate.

601 Union St, Suite 4720
Seattle, WA 98101

T 206.205.0222

F 206.205.0220

dchudzik@kiddermathews.com

EDUCATION

- Doctor of Philosophy, Biochemistry, University of Washington
- Master of Business Administration, Management, University of Washington
- Bachelor of Science, Biochemistry, University of Washington
- Bachelor of Arts, Spanish, University of Washington

PROFESSIONAL LICENSES

- Washington Certified General Real Estate Appraiser (No. 1102099)
- Oregon Certified General Real Estate Appraiser (No. C00182)

AFFILIATION

Member of Appraisal Institute (MAI)

David Chudzik, Ph.D., MAI continued

PARTIAL CLIENT LIST

Allstate Life Insurance Co.	KeyBank	Puget Sound Bank
Alexandria Real Estate Equities	King County	Puget Western
Archdiocese of Seattle	Low Income Housing Institute	San Juan County Land Bank
Bank of America	Memorial Medical Center	Schnitzer West
BECU	Merrill Lynch	Seattle BioMed
Bloch Properties	Morgan Stanley	Seattle Monorail Project
Citibank	Morton McGoldrick, PS	Server Farm Realty
City of Seattle	Moss Adams	Stockbridge Capital Group
City of Renton	National Real Estate Advisors	Todd Shipyards
Davis Wright Tremaine	Nexus Properties	Unico Properties
East West Bank	Northwest Diabetes Research Center	Union Bank
First Sound Bank	Northwest Kidney Center	University of Washington
First Mutual Bank	Novartis	US Bancorp
GE Capital	Olympus Real Estate Partners	Vulcan Real Estate
H5 Capital	Overlake Medical Center	Washington Federal
Heritage Bank	Perkins Coie	Washington Trust Bank
Jefferson County	Port of Port Townsend	Wells Fargo
JPMorgan Chase Bank	Portland State University	

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION



THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER

DAVID MATTHEW CHUDZIK
7047 51ST AVENUE NE
SEATTLE WA 98115

1102099

License Number

03/17/2011

Issued Date

11/02/2018

Expiration Date

Pat Kohler
Pat Kohler, Director



Crosby Nordblom
Associate Appraiser
Valuation Advisory Services

CAREER SUMMARY

Crosby Nordblom is an associate appraiser that joined the Valuation Services division of Kidder Mathews in November of 2015.

Prior to joining Kidder Mathews, Crosby worked for CBRE Group, Inc. in Seattle where he started off in commercial property management.

601 Union St, Suite 4720
Seattle, WA 98101
T 206.205.0209
F 206.205.0220
crosbyn@kiddermathews.com
.....

EDUCATION

Bachelor of Arts, Economics, Colorado College

STATE CERTIFICATION

Crosby is a registered real estate appraiser trainee in Washington State (License No. 1001854).

APPRAISAL COURSEWORK

- Uniform Standards of Professional Appraisal Practice, Appraisal Institute – 2015
- Basic Appraisal Principals, Appraisal Institute – 2015
- Basic Appraisal Procedures, Appraisal Institute – 2015
- Supervisor-Trainee Course for Washington, McKissock – 2015

PROFESSIONAL AFFILIATIONS

- Practicing Affiliate of the Appraisal Institute, Member No. 593374

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT TRE PERSON NAMED HEREON IS AUTHORIZED, AS PROVIDED BY LAW, AS A



STATE REGISTERED REAL ESTATE APPRAISER TRAINEE

CROSBY VAN CURAN NORDBLOM
503 N BOWDOIN PLACE
SEATTLE WA 98103

Cert/Lic No.
1001854

Issued Date
12/23/2015

Expiration Date
02/28/2017

Pat Kohler
Pat Kohler, Director

Exhibit E

Appraisal Report

645 Woodland Sq. Loop SE | Lacey, WA

as of January 1, 2017



Prepared for

Seahawk Portfolio, LLC, Mariners
Portfolio, LLC, WA Portfolio, LLC, and
Olympia Office, LLC

Scott Switzer

Prepared by

David Chudzik, Ph.D., MAI

Crosby Nordblom

KM Job A16-0972

Kidder Mathews

Valuation Advisory Services

601 Union Street, Suite 4720
Seattle, WA 98101

206.205.0200 | Fax 206.205.0220
dchudzik@kiddermathews.com
kiddermathews.com

November 8, 2016

Mr. Scott Switzer
Seahawk Portfolio, LLC, Mariners Portfolio, LLC, WA Portfolio, LLC, and Olympia Office, LLC
10900 4th Ave., Suite 2300
Bellevue, WA 98004

Re: 645 Woodland Square Loop SE
Lacey, WA 98168

Dear Mr. Switzer:

At your request, we have prepared an appraisal of the above-referenced property, which is fully described in the attached appraisal report. As requested, we have estimated the market value of the subject, with an effective appraisal date of January 1st, 2017. It is assumed that no significant market changes will take place between today and the effective date of value. We have inspected the subject property and obtained data regarding other similar real estate in the area.

This report has been prepared in conformance with the current Uniform Standards of Professional Appraisal Practice (USPAP). In addition, our services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA). This report is intended for purposes related to negotiating and restructuring mortgage loans related to the subject, to be used by the client (Seahawks Portfolio LLC, Mariners Portfolio LLC, WA Portfolio LLC, and Olympia Office LLC).

As a result of our investigation and analysis, we have concluded that the market value of the leased fee interest in the subject real estate, subject to the limiting conditions and assumptions contained herein, is:

Prospective Market Value, Leased Fee, as of January 1, 2017 **\$930,000**

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'David Chudzik'.

David Chudzik, Ph.D., MAI
State-certified General Real Estate
Appraiser #1102099

A handwritten signature in blue ink, appearing to read 'Crosby Nordblom'.

Crosby Nordblom
State-Registered Real Estate Trainee
Appraiser #1001854

DC-CN/em

Certification

We certify that, to the best of our knowledge and belief:

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 3) We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- 4) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 7) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 8) We have made a personal inspection of the property that is the subject of this report.
- 9) We have not provided professional appraisal or consulting services concerning the subject property within the past three years.
- 10) No one provided significant real property appraisal assistance to the persons signing this certification.
- 11) The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and conforms with the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA).
- 12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 13) As of the date of this report, David Chudzik, Ph.D., MAI, has completed the continuing education program for Designated Members of the Appraisal Institute, and Crosby Nordblom, Practicing Affiliate, has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Practicing Affiliates.



David Chudzik, Ph.D., MAI
State-certified General Real Estate
Appraiser #1102099



Crosby Nordblom
State-Registered Real Estate Trainee
Appraiser #1001854

Limiting Conditions

Limiting conditions specific to this appraisal are:

- 1) Physical dimensions for the property were taken from public records or from information provided, and the appraisers assume no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
- 2) We are assuming that there are no hidden or unapparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
- 3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
- 4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 5) The appraisers are not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.
- 6) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately in conjunction with any other appraisal.
- 7) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed, and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the appraisers. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraisers.

Table of Contents

Certification	ii
Limiting Conditions	iii
Summary of Appraisal	1
Market Overview	10
REGIONAL DATA	12
Office Market Overview	21
Property Description	26
Highest & Best Use	31
Sales Comparison Approach	33
Income Capitalization Approach	40
Reconciliation & Final Value Opinion	51
ADDENDUM	
Engagement Letter	
Title Report	
Improvement Schedule	
Receivership Letter	
Appraisers' Experience Data	

Summary of Appraisal

Summary of Appraisal

Identity of Property 645 Woodland Square Loop SE
Lacey, WA 98168

Property Description The subject is a single-story office building located in Lacey's Woodland District, which is a substantial pocket of office uses focused on government tenancies. It has good access and receives average exposure, as it has no frontage along local arterials. The 1985, masonry structure contains 5,746 sq ft of rentable area per the rent roll provided. It is fully occupied by a single government tenant, the Department of Licensing, which is leased through January of 2018 at a flat rate of \$17.85/sq ft on a modified gross basis. Overall, the building has a typical layout for a DOL operation, including a large waiting/service area with supporting offices and staff areas. It is in average condition with no deferred maintenance indicated by the receiver.

The subject includes two parcels, totaling 1.24 acres and zoned Woodland District by the City of Lacey. Parking is above average at a ratio of 6.79 stalls per 1,000 sq ft of rentable area. However, this ratio excludes the 62 stalls within the subject's western lot (APN #84990001100). While the current tenant leases some of these stalls, they are not required to support the subject's improvements, and they would be better used to support adjacent, under-parked buildings within the ownership's portfolio.

After the January 2018 expiration of the subject's lease, this report assumes that parking easements are in place to benefit the owner's 637 and 640 Woodland Sq. Loop buildings.

ADDRESS 645 Woodland Square Loop SE
Lacey, WA 98168

**ASSESSOR'S TAX
PARCEL NUMBER** 84990001100, -1000

LEGAL DESCRIPTION The legal description of the subject property is as follows:

*LOTS 10 AND 11 WOODLAND SQUARE, AS PER PLAT
RECORDED IN VOLUME 20 OF PLATS, PAGES 103 AND 104,
RECORDS OF THURSTON COUNTY, WASHINGTON.*

Ownership History Per public records, the property is collectively owned by a group of LLCs – Seahawk Portfolio, LLC (30%), Mariners Portfolio, LLC (10%), WA Portfolio, LLC (30%), and (30%) Olympia Office, LLC. Title was transferred to these entities through a quitclaim deed on September 23rd, 2016 from CDC Properties I, LLC for a recorded amount of \$0. This is not considered to be a true real estate sale.

On March 9th, 2016, the process to foreclose on the subject was started and a notice of trustee's sale was issued on July 5th, 2016. It was to sell at public auction on October 21st, 2016, but the new owner entity has postponed this process with a stay of foreclosure.

There have been no other sales or listings of the property in the past five years that were reported by the current owners or noted in public records.

Property Rights Appraised This is an appraisal of the leased fee estate. The definition of "leased fee estate" is as follows:

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Source: The Dictionary of Real Estate Appraisal, Sixth Edition. Chicago: Appraisal Institute, 2015.

Purpose of Appraisal The purpose of this appraisal is to estimate the market value of the subject property. The term "Market Value" is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to the buyer under conditions whereby:

- a. the buyer and seller are typically motivated;*
- b. both parties are well informed or well advised, and acting in what they consider their own best interests;*
- c. a reasonable time is allowed for exposure in the open market;*
- d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*

- e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [g].

Scope of Work

The subject property is appraised based on the following scope of work.

- The subject contains 53,982 sq ft of land. It is improved with a two-story, office structure originally built in 1985. An inspection of the property was completed on October 14, 2016.
- This report utilizes a prospective market value based on an effective date of January 1, 2017. It is assumed that no significant market changes will take place between today and the effective date of value.
- After the January 2018 expiration of the subject's parking lease, this report also assumes that parking easements are in place to benefit the owner's 637 and 640 Woodland Sq. Loop buildings.
- In this report, the Sales Comparison and Income Capitalization Approaches are used. The Cost Approach is not employed as typical market buyers and sellers would not use this approach in valuing buildings like the subject.
- The research of data included both general and specific data. Sources of general data that are included in the market trends and neighborhood description were obtained from various private and governmental sources.
- Specific data concerning the subject was obtained from various sources including the owner (leases, income statements, environmental reports, title report, and rent roll) and the Thurston County Assessor (zoning, assessed values and real estate taxes).
- Data compiled in the analysis of the building sales was obtained from CoStar, CBA (Commercial Broker Association), as well as Kidder Mathews' own in-house data files. Rental data was obtained from leasing agents, public records, and in-house data files on competing properties.

- All of the sales and rental data were confirmed with a party involved in the transaction and/or through public records.
- The reconciliation and final value opinion(s) is based on an overview of which approach or approaches we believe are the best indicators of value for the subject.

Intended Use/User(s) This report is to be used by the client (Seahawk Portfolio, LLC, Mariners Portfolio, LLC, WA Portfolio, LLC, and Olympia Office, LLC) with regards to purposes related to negotiating and restructuring mortgage loans related to the subject.

Approaches to Value & Final Value Prospective Market Value, Leased Fee, as of January 1, 2017

Conclusion	Sales Comparison Approach	\$920,000
	Income Capitalization Approach	\$940,000
	Value Conclusion	\$930,000

Extraordinary Assumptions This report utilizes a prospective market value based on an effective date of January 1, 2017. It is assumed that no significant market changes will take place between today and the effective date of value.

After the January 2018 expiration of the subject's parking lease, this report also assumes that parking easements are in place to benefit the owner's 637 and 640 Woodland Sq. Loop buildings. This still preserves above average parking for the subject's office structure and only impacts the subject's unimproved parcel to the west (APN #84990001100).

Hypothetical Conditions None

Date of Report November 8, 2016

Date of Last Inspection October 14, 2016

Effective Date of Appraisal January 1, 2017

Marketing Time 6 to 12 Months

Exposure Time 6 to 12 Months



Aerial Map

Subject Photographs

View of subject looking south
from across Woodland Sq.
Loop SE



View of subject looking west
along Woodland Sq. Loop SE



View looking north from rear of
subject



Subject Photographs

View looking east of easement/
Alhadeff Ln. that runs along
southern boundary of subject



View of subject from area of
excess parking



View of Department of
Licensing's waiting/service area



Subject Photographs

Additional view of Department
of Licensing's waiting/service
area



View of conference room



View of bathroom



Market Overview



Regional Map

Regional Overview

Introduction

The subject is located in Thurston County, which is part of the four county Puget Sound MSA. The core of the market is comprised of King, Snohomish and Pierce counties. Thurston is at the south end and Kitsap is on the northwest side.

National Overview

The national recovery has now lasted four years with job growth continuing with only minor pauses during the past two quarters. The gain outside of base wage jobs that started in 2015 has slowed but is still trending upward. 2015 ended with 2.53 million new jobs, an increase of 2.1%. This follows 2.26 million in 2014 and 2.25 million in 2013. The forecast for 2016 is a further increase by 1.8%. If the 2016 projection is on track, the unemployment rate will drop below 5.0%. Unemployment was 5.0% in March 2016, 50 basis points (bps) down from March 2015.

The GDP growth rate for 2015 was 2.4%, the same as 2014, and down slightly from 3.13% in 2013. The forecast for 2016 is GDP growth of 2.1% and 2017 bouncing back up to 2.4%.

Inflation remains under control, at 0.1% in 2015 following 1.6% in 2014 and 1.3% in 2013. The forecast has been revised to 1.3% for 2016 then increasing to 2.3% in 2017. Modest GDP and inflation has prevented the Federal Reserve from significantly increasing interest rates.

Regional and National Economic Indicators

forecast

Annual Change	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Puget Sound Region											
Employment	0.9%	-4.9%	-1.7%	1.6%	2.3%	2.8%	2.8%	2.9%	1.8%	1.6%	1.2%
Personal Income	3.1%	1.6%	2.5%	6.1%	4.9%	2.6%	6.2%	5.3%	4.3%	5.2%	4.9%
Consumer Price Index	4.3%	0.6%	0.3%	2.6%	2.5%	1.3%	1.8%	1.4 %	1.4%	2.4%	2.4%
Housing Permits	-43.0%	-50.1%	31.5%	11.9%	51.8%	8.9%	16.9%	19.8 %	-19.3%	2.2%	4.7%
Population	1.4%	1.5%	1.0%	1.0%	1.3%	1.4%	1.4%	1.3 %	1.3%	1.2%	1.0%
United States											
Employment	-0.6%	-4.4%	-0.7%	1.2%	1.7%	1.7%	1.9%	2.1%	1.8%	1.4%	1.1%
Personal Income	2.9%	-1.7%	3.7%	5.1%	4.2%	2.0%	4.4%	4.5%	4.4%	4.7%	4.8%
Consumer Price Index	3.8%	-0.3%	1.6%	3.2%	2.1%	1.5%	1.6%	0.1%	1.3%	2.3%	2.4%
Housing Starts	-32.9%	-38.4%	5.6%	4.5%	28.0%	18.7%	7.8%	10.6%	12.9%	9.6%	7.3%

Source: The Puget Sound Economic Forecaster, March 2016

Income and sales tax revenues continue a path of sporadic increases, providing limited economic lift. Home sales continue to be strong, although new homes were restricted somewhat by low inventory in the 1st

quarter. Prices continue to move up, especially in the top markets. Consumer confidence increased to 93.1 in November 2015 as measured by the Thomas Reuters/University of Michigan Index of Consumer Sentiment. This was up from 88.8 a year previously and from 90.3 in October. The positive outlook remains stratified with working wage household sentiment more pessimistic. Perhaps anticipating slower long-term growth, the Measure of CEO Confidence continued its slow downward trend, hitting 48 as of the 3rd quarter report, down from 57 in the 1st quarter 2015. On the positive side, help wanted online listings increased by 172,300 in October, continuing an upward trend that started earlier in 2015.

Regional Overview

The Puget Sound region is one of the best performing areas of the nation. Employment growth was 65% higher than the national average in 2013, 47% in 2014 and 38% in 2015. Since the depth of the recession in early 2010, the region has added nearly 400,000 new jobs. A positive trend over the past year was an expansion of the job growth out from the core companies, specifically Amazon and other tech firms. The growth has also been strong in the lower wage categories, even with the recent increases in the State and Seattle minimum wages. The retail category has done well as retail sales have improved for 12 quarters year over year. Employment growth was 2.8% in 2014 and 2.9% in 2015 and 4.2% for the 12 months ending in September 2016.

With the strong employment growth and geographic constraints, the region is in demand for national and international investors. Apartments remain at a plateau at the peak of the cycle as prices continue to increase even as a large number of new units were delivered to the market and rent growth has started to moderate. Most of the office based employment growth has occurred in the Seattle and Bellevue CBDs in King County, and these two markets have seen the bulk of new development. Industrial real estate has strong occupancy and high prices with institutions looking for traditional warehouse product and owner users dominating close in Seattle markets. The retail market is strong in core trade areas. Daily needs retail—food and drugs—is the strongest sector. New home inventories are low and infill construction is active.

Population

During the past 40 years, the population of Washington has grown by an average of approximately 20% per decade, according to the Puget Sound Regional Council (PSRC). The five counties that comprise the Central Puget Sound Region and account for 59% of Washington's 2015 population (7,061,410) experienced a population increase of 13.7% during the previous decade. The region's growth rate was 1.3% in 2015,

following 2014 at 1.4%, with in-migration fueled by job growth. Preliminary estimates for 2016 are for 1.3% growth.

Employment

Regional employment is at an all-time high, well above the previous high in 2009. The recovery began in 2011. Year over year employment growth was a robust 4.2%, ranging from mild growth of 1.5% in Kitsap to 4.8% in King and Snohomish.

Non-Farm Employment

County	SEPTEMBER 2015		SEPTEMBER 2016	
	Jobs	Unemployment	Jobs	Unemployment
King	1,123,838	4.6%	1,177,410	4.0%
Snohomish	382,221	4.9%	400,553	4.3%
Pierce	366,110	5.8%	378,562	6.0%
Thurston	117,443	5.4%	120,042	5.7%
Kitsap	108,117	5.0%	109,741	5.7%

Source: Washington State Employment Security Department

In the individual projections, King and Snohomish showed the fastest recovery. Pierce and Thurston have taken more time with the cut back of government jobs kicking the rate back up in 2012.



Source: Washington State Employment Security Department

The unemployment rate is expected to continue to decline, moderated slightly by the return to the labor force of those persons uncouncted (unemployed but not actively seeking employment) and under-employed, both of whom are not reflected in the current calculation.

Amazon has been the biggest single contributor to employment growth. The company's employment in the state is about 24,000, almost all in Seattle. Amazon shows no signs of slowing anytime soon. The company's confidence in that was underlined by the construction on the first two of three 1.1 million sq ft office buildings for its own use, in addition to announcing leases for 1.3 million sq ft in other Seattle projects. Microsoft had more local employees at 43,618 at the end of 2015 but the growth rate is much lower. Significant expansions are being made by Facebook, Tableau, Zillow, and Google.

The region's largest employer remains Boeing with a total of 77,671 employees in Washington, almost all of those in King, Snohomish, and Pierce counties. However, Boeing continues to reduce jobs, dropping 2,528 between January 2015 and March 2016. Boeing employment was 6.3% of the region in 1997 and this has declined to 3.9% in 2016. There is less hope of a future increase as Boeing has diversified in other states.

Economic Indicators

The finance, insurance, and real estate (FIRE) and construction sectors have recovered as commercial and residential construction continues to expand. Manufacturing losses were led by those Boeing jobs, with a myriad of smaller companies cutting back by smaller amounts. Many of those Boeing jobs have now been lost. Retail job gains follow the increases in retail sales volume. Sales growth continues its fifth year of increases with a robust gain in 2015, the strongest rate in 12 years.

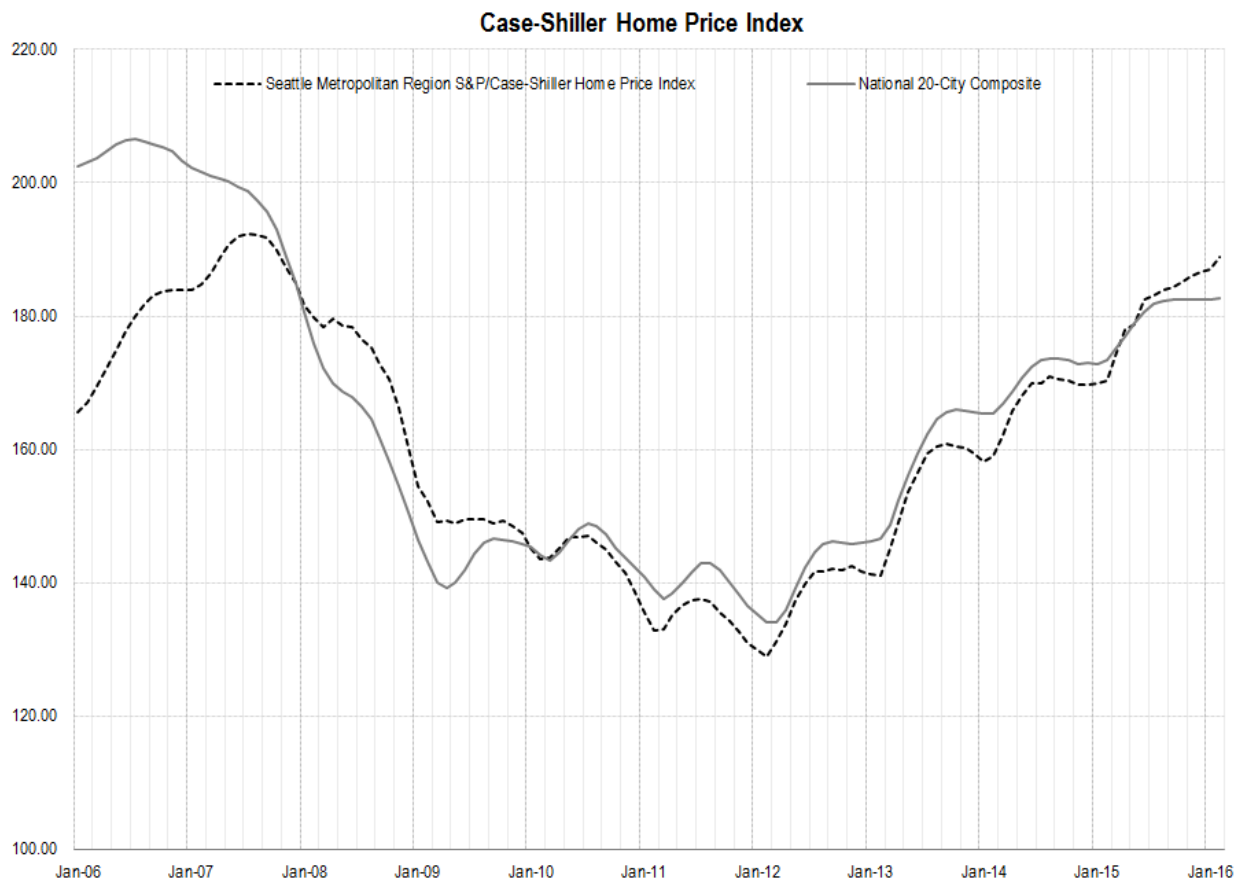
Washington State Retail Sales (\$,000)

	2015	2014	2013	2012	2011	2010
4Q	35,979,968	33,372,252	31,172,889	29,435,885	2,7890,822	26,780,864
3Q	35,837,473	33,249,625	28,788,875	28,766,782	27,293,863	26,469,373
2Q	33,856,679	30,973,320	28,998,096	26,803,035	25,613,078	24,895,067
1Q	29,689,766	27,248,916	25,985,522	24,028,170	22,943,062	22,629,812
Total	135,363,886	124,844,113	114,945,382	109,033,872	103,740,825	100,777,126
Change	9.1%	8.6%	5.4%	5.1%	2.9%	-0.1%

Personal income increased an average of 4.2% between 2010 and 2014, spiking at 6.5% in 2014. The forecast is 5.3% in 2016 and 4.3% in 2017. These gains are amplified by low inflation, which averaged 1.9% over the past five years. The CPI increase for 2015 was 1.4%, expected to increase to 2.4% in 2016 and 2017.

Regional Housing Market

The housing market has shown varying levels of recovery, based on location and price point. Sales started to recover in 2012 with a 20% increase in King and Snohomish Counties. Pierce County remained soft, increasing only 3.5%, reflecting a lack of job growth. Values also first started to recover in 2012. These trends continued through 2015. King County sales increased by 10.8% in 2015, with new home sales up 9.2%. Snohomish was up 0.8% and Pierce showed pent up demand with sales up 2.8% after increasing 22% in 2013. Sales volume increased 18.4% in Snohomish in 2015 (27.0% in new construction) and 16.7% (3.6% new) in Pierce. Median prices were up 8.1% in King, 8.9% in Snohomish, and 8.7% in Pierce in 2015.



Standard & Poor's Case-Shiller Index improved for each month since May 2012 except for some minor seasonal dips in the 3rd quarters of 2013–2015. Improvement was 12.2% in 2013, 6.5% in 2014, and 9.9% in 2015, and continued up through the first two months of 2016. Prices are now only 1.8% from the peak prior to the recession (better than the national prices still down 11.5%). Improvement has been stronger in Seattle's

close-in neighborhoods and on the Eastside around Bellevue. In those markets, inventory levels are very low, creating over-bids in popular neighborhoods. Housing-permit activity increased by 16.9% in 2014 and 19.8% in 2015. That is forecast to reverse with a 19.3% decrease in 2016 as builders keep inventories low and close-in sites are rare. Permits are then expected to increase at moderate 2.2% to 4.7% rates in 2017/2018.

Commercial Real Estate Markets

The region ranks in the top five national investment markets. Class A core apartments, office, retail, and industrial properties are all still on the institutional buyers' list with strong demand and pricing. Apartments have been at the top of the cycle for several quarters now. The other categories are still ascending. Vacancy rates in the region are as follows:

Regional Vacancy Rates - 3Q 2016

Segment	Seattle	King	Pierce	Snohomish	Kitsap	Thurston
Office	6.9%	7.2%	7.1%	6.4%	7.2%	6.7%
Industrial	1.9%	2.7%	5.4%	3.9%	1.4%	2.5%
Apartment	4.0%	3.7%	2.8%	4.0%	2.3%	2.6%
Retail	2.0%	3.1%	4.9%	4.3%	6.8%	4.4%

Source: CoStar, Dupre+Scott (apartment)

Even though rent growth in the apartment market has started to moderate, prices continue to increase as cap rates remain very low, tied to low interest rates and the low perceived risk. This will be tested as new construction deliveries peak in 2016/2017 in both the apartment and office categories. The apartment market continues to expand with nearly 19,000 units under construction in the region. The bulk of those are in larger projects in the area around the Seattle CBD, but development has begun to increase in the suburban markets as well.

The office market has seen most demand in the core markets like Seattle and Bellevue CBDs. Amazon is building for itself and remains one of the top lessees as well. Developers are doing build-to-suits for Facebook, Google, and Tableau.

Industrial leasing is strong. This may be a factor of higher rents that are up more than 20% over the past three years. Retail has shown improvement, with vacancy down and rental rates moving up in stable and strong trade areas. Both industrial and retail markets have been boosted by increased retail sales.

The lodging market has continued to improve, reflecting the tourist draw of the region and strong conference business. Long term, each sector's expansion is limited by available land, a major reason that investors rank the region so highly.

Investors have begun to back off on some pricing parameters with fewer rent spikes and increased terminal capitalization rates as eventual interest rate growth is acknowledged. That factor will likely have an effect on going-in rates at the next increase as the previous one was absorbed via lower equity return. Many investors do not plan to repeat that adjustment.

Area Market Summary

The long-term outlook for the region continues to be better than most markets nationwide. The recovery has been strong for four years. Job growth may have peaked in 2015 with 2.9% growth, but the projected fall-off has repeatedly been reduced. Retail sales showed a very strong increase in 2015, with only minor signs of slowing so far in 2016. The region is expected to outperform most of the nation, based on the diversified core of the economy anchored by Microsoft, Amazon, and Boeing as specific examples. Even though two of those three shed jobs in 2014 and in early 2015, those losses were covered by the growth of Amazon and other tech companies.

Most of the local real estate markets are in some level of ascendance, or extended peak-plateau. Apartments are perched at a plateau with no signs of descent near-term. Investment activity continues to increase primarily in the best quality properties in all categories by institutional investors. Sales have increased in the value-add sector of the office, apartment, and retail markets as the returns available on Class A properties are squeezed by high demand.

2014 and 2015 were both stronger years than initially forecast across the region. The forecasts for 2016 appear to be conservative, and job growth has not yet slowed. If the rate of growth slows in 2017, this will test the apartment market since a large number of units are scheduled for completion in 2016 and 2017. It should have less effect on the office and retail categories where demand for space tends to lag job growth by a few quarters. The real estate markets in the region have solid fundamentals due to the broad-based economy.

Neighborhood Description

Introduction

The subject is located in the north-central portion of incorporated Lacey, Thurston County. Olympia is adjacent directly to the west and the Hawk's Prairie retail and industrial area is to the east. A location map is shown on the previous page, with the subject's location noted. The subject is part of the Lacey's primary retail and office node that follows on both sides of I-5 and Martin Rd. between Boulevard Rd. to the west and Marvin Rd. to the east. This commercial concentration serves Tumwater, Olympia and Yelm. The subject's immediate neighborhood is moving toward office uses, and new retail development is most active at the intersection of Marvin Rd. and I-5.

Nearby and Adjacent Land Uses

The subject is part of the micro-market of office and retail space between College and Sleater-Kinney Rd. SE. I-5 is nearly adjacent to the north and the south boundary of the immediate neighborhood is Pacific Ave. SE, a major east-west thoroughfare. Overall, there has been very little change in the neighborhood in recent years. Vacancy increased dramatically as a number of buildings were delivered as the recession hit. A number of State agencies also then opted to condense their operations into fewer buildings and many relocated for newer or build-to-suit buildings in Tumwater. This effect has slowed significantly in recent years, but has hit the subject's immediate office node particularly hard. This node of over 40 office buildings accounts for just over half of Lacey's office inventory, but about 88% of the submarket vacancy, which currently sits at 12.90%.

To the west are a Fred Meyer and a retail power center anchored by Sears, Target and Kohls. To the east, across College St. SE, is the St. Martins University campus and St. Martins Park. Beyond Pacific Ave. SE to the south, uses quickly transition to single-family residential uses. To the north of I-5, there are a few older retail uses, the largest being Lowe's, but uses also quickly transition to residential.

Access

Access to the neighborhood is provided by two major north-south streets (Sleater-Kinney and College), each providing access to full I-5 interchanges. East-west traffic is concentrated on two arterials in addition to I-5: Martin Way E. and Pacific Ave. SE. Access through the remaining portion of the neighborhood is a full grid of local streets, some of which are interrupted by larger parcels, I-5, and St. Martins Park.

A Thurston County Transit station is located just northwest of the subject at Golf Club Pl. SE and 6th Ave. SE. This feature is helpful for many office tenants and improves the subject's overall access.

**Neighborhood
Demographics**

Lacey's demographics are generally positive with a forecasted population growth of 1.41% annually, above county levels of 1.24%. Owner-occupied housing and household incomes are slightly below county and state levels. Demographics with the subject's immediate vicinity are moderately below those of Lacey as a whole.

Conclusion

Lacey is a mid-size community with a full array of housing and services. The subject's immediate neighborhood is centrally located with very good access throughout the city and the region with two interchanges with I-5 within a mile of the subject. Development was paused for all product types during the recession, but returned in the last few years with a number of retail, residential and industrial deliveries. Surrounding uses are supportive of office use, but the submarket is still recovering from high vacancy and reduction of government office space demand.

Office Market Overview

Lacey Office Submarket

Quarter	Inventory Bldgs	Inventory SF	Vacant SF Total	Vacant Percent Total	Net Absorption SF Total	Deliveries Bldgs	Deliveries SF	Under Construction Bldgs	Under Construction SF	Office Base Rent Overall
QTD	135	2,086,377	272,231	13.00%	(2,119)	0	0	0	0	\$15.35/NNN
2016 Q3	135	2,086,377	270,112	12.90%	14,625	0	0	0	0	\$15.42/NNN
2016 Q2	135	2,086,377	284,737	13.60%	60,628	1	16,700	0	0	\$16.00/NNN
2016 Q1	134	2,069,677	328,665	15.90%	484	0	0	1	16,700	\$15.89/NNN
2015 Q4	134	2,069,677	329,149	15.90%	2,950	0	0	1	16,700	\$15.92/NNN
2015 Q3	134	2,069,677	332,099	16.00%	(2,756)	0	0	0	0	\$16.04/NNN
2015 Q2	134	2,069,677	329,343	15.90%	8,576	0	0	0	0	\$15.95/NNN
2015 Q1	134	2,069,677	337,919	16.30%	3,819	0	0	0	0	\$15.96/NNN
2014 Q4	134	2,069,677	341,738	16.50%	60,729	0	0	0	0	\$15.94/NNN
2014 Q3	134	2,069,677	402,467	19.40%	(67,203)	0	0	0	0	\$15.28/NNN
2014 Q2	134	2,069,677	335,264	16.20%	5,442	0	0	0	0	\$14.51/NNN
2014 Q1	134	2,069,677	340,706	16.50%	(35,191)	0	0	0	0	\$14.50/NNN
2013 Q4	134	2,069,677	305,515	14.80%	4,780	1	2,800	0	0	\$14.61/NNN
2013 Q3	133	2,066,877	307,495	14.90%	(20,508)	0	0	1	2,800	\$14.76/NNN
2013 Q2	133	2,066,877	286,987	13.90%	60,100	0	0	1	2,800	\$14.48/NNN
2013 Q1	133	2,066,877	347,087	16.80%	15,841	0	0	1	2,800	\$14.60/NNN
2012 Q4	133	2,066,877	362,928	17.60%	16,359	0	0	0	0	\$14.57/NNN
2012 Q3	133	2,066,877	379,287	18.40%	(87,784)	0	0	0	0	\$14.60/NNN
2012 Q2	133	2,066,877	291,503	14.10%	9,325	0	0	0	0	\$14.98/NNN
2012 Q1	133	2,066,877	300,828	14.60%	(5,942)	0	0	0	0	\$14.78/NNN
2011 Q4	133	2,066,877	294,886	14.30%	3,322	0	0	0	0	\$15.02/NNN
2011 Q3	133	2,066,877	298,208	14.40%	(16,707)	1	4,723	0	0	\$14.89/NNN
2011 Q2	132	2,062,154	276,778	13.40%	5,912	0	0	1	4,723	\$14.93/NNN
2011 Q1	132	2,062,154	282,690	13.70%	(6,731)	0	0	0	0	\$15.07/NNN
2010 Q4	132	2,062,154	275,959	13.40%	28,274	0	0	0	0	\$15.23/NNN
2010 Q3	132	2,062,154	304,233	14.80%	(32,516)	0	0	0	0	\$15.55/NNN
2010 Q2	132	2,062,154	271,717	13.20%	(2,896)	0	0	0	0	\$15.70/NNN
2010 Q1	132	2,062,154	268,821	13.00%	5,152	0	0	0	0	\$15.78/NNN

Office Market Overview

Thurston County Submarket

In the Thurston County market, Washington State is the largest office user by far, in both owned and leased space. Beginning with space directly around the capital and most recently expansions in Tumwater and Lacey prior to the recession. The State occupies multiple buildings in Tumwater, Lacey, Downtown Olympia and peripheral markets surrounding Olympia's downtown core.

The current Thurston County office inventory totals just under 9.7 million sq ft of space among 860 buildings (illustrating the small average size of office buildings in the market). The market's current office vacancy rate is reported by CoStar for Q3 of 2016 is 6.8%, which is down from 8.9% a year ago and highs of 11.50% two years ago. After increasing from a low of 8.6% in the 4th quarter of 2009 to a high of 11.6% in the 3rd quarter of 2010, vacancy fluctuated modestly through year-end 2014 before beginning to fall.

Although not listed within Costar, there is currently one project under construction, an 81,065 sq ft building in Tumwater that is 65% pre-leased to the Department of Revenue. Other than this, there has only been one other delivery at 16,700 sq ft in the last 3 years, which was a build-to-suit in Lacey. Even in the stronger markets, office sales in the Thurston County market have been limited. Some of the recent sales have still been distressed to some degree including high vacancy and/or seller motivation. Market activity has increased in core asset properties with some funneling down to suburban markets including the local Thurston County investor market.

Tumwater/South Olympia Office Submarket

An historical overview of the subject's Lacey office submarket is shown in the preceding table. The current submarket inventory totals just over 2M sq ft of office space in 135 buildings. The only recent construction within this submarket was the Q2 2016 addition of a 16,700 sq ft, build-to-suit office for BioLife Plasma. The lack of new construction as well as the final consolidation efforts from certain government agencies in the market will help this market begin to recover.

MARKET VACANCY AND ABSORPTION

The submarket's vacancy rate is reported at 12.90% as of Q3 of 2016, which is well above the office vacancy for Thurston County as a whole. Office vacancy quickly rose from a low point of 7.0% in Q3 of 2007 up to 13.50% by the end of 2008. This was driven by the start of the national recession as well as the delivery of just over 100k sq ft in 2008. From that point through 2013, vacancy mainly hovered between 13% to 15% before

peaking at 19.40% in Q3 of 2014. Since 2008, no significant office additions have been made to the submarket. Absorption remained mixed with significant losses in 2012 and 2014, and moderate gains made in 2013. More recently the submarket absorbed 12,589 sq ft in 2015 and 73,618 sq ft YTD in 2016. This absorption has brought vacancy down about 300 basis points from a year ago.

However, it is important to note that within the subject's immediate neighborhood (bounded by Pacific Ave., College St. SE, I-5, and Sleater Kinney Rd. SE) accounts for much of this vacancy. This pocket represents about 52% of Lacey's office inventory, but accounts for about 88% of the submarket vacancy.

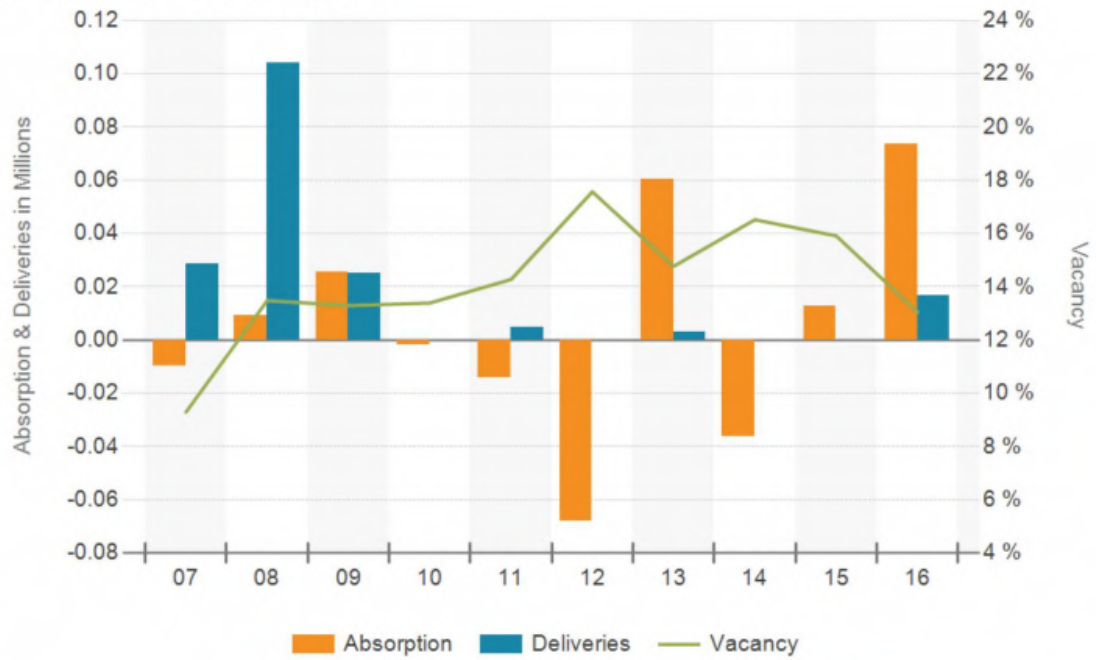
RENTAL RATES

Average reported rental rates around \$18/sq ft prior to the recession trended quickly downward during 2009, leveling off around \$14 to \$15/sq ft. Since then rates have remained largely flat with slight increases towards \$16/sq ft over the last two years. With this said, rental rates vary greatly depending on condition and quality of office. Average rates are often impacted by smaller buildings with offset locations and some inefficiencies. The newer, good quality office buildings are leasing at higher full service office rates typically between \$22.00 and \$28.00/sq ft.

Summary

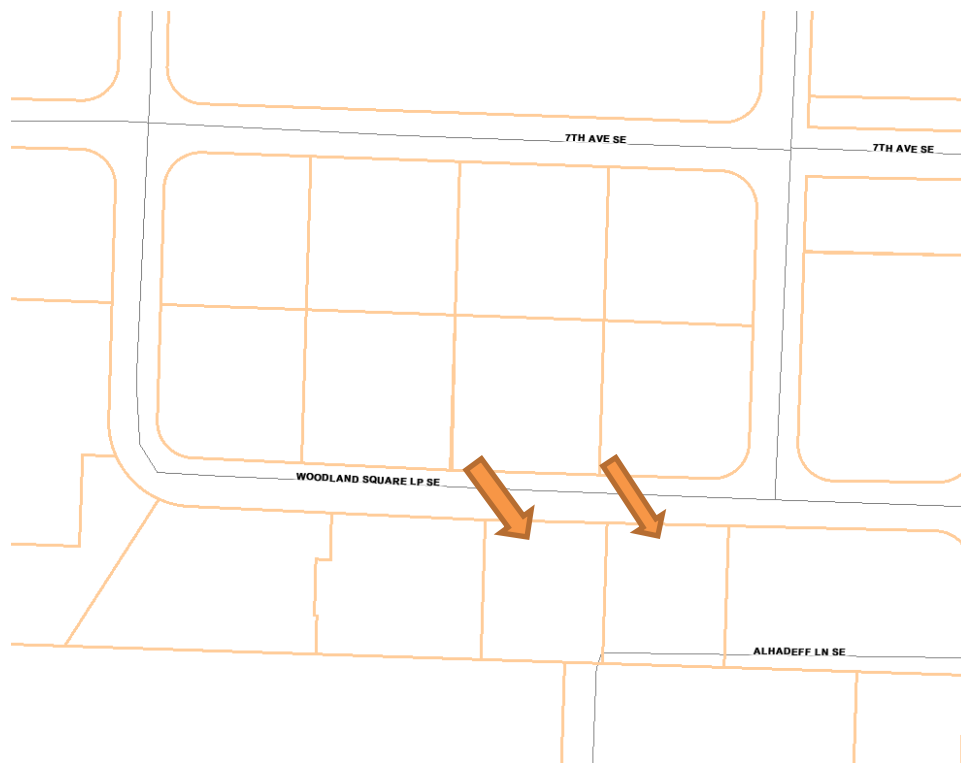
State government consolidation and downsizing had an adverse impact on the Thurston County office market, particularly between 2010 and early 2014, much of which occurred in Downtown Olympia. There has been some recent tightening and a lack of new construction has shown some modestly improving signs for the office market both in Thurston County and marginal improvements within the Lacey submarket. Although, properties in the subject's immediate office node are still seeing slow leasing activity and a vacancy rate of almost 22% (12.90% within the greater Lacey submarket).

Absorption, Deliveries, Vacancy



Source: CoStar – November 2016

Property Description



Parcel Map

Property Description

Introduction	The subject is a single-story office building located in Lacey's Woodland District. The 1985, masonry structure contains 5,746 sq ft of rentable area.	
Identity of Property	Location:	645 Woodland Square Loop SE
	City:	Lacey
	Parcel Numbers:	84990001100, -1000
	Liens and Encumbrances:	<p>We have been provided with a Title Report prepared by First American Title Insurance Company and dated September 2, 2016. Typical utility easements are noted in the report, as well as an access easement that runs to the south of the property along Alhadeff Ln. This is not considered to have a significant impact on the subject.</p> <p>Our evaluation presumes the site is absent of significant easements or encumbrances that would impact the market value of the subject. As noted previously, this report assumes parking easements are in place for neighboring buildings to utilize the subject's extra parking across its western parcel.</p> <p>The improvements are fully leased by a single, government tenant.</p>
SIZE & SHAPE	The subject's parcels form a functional, rectangular shape, located mid-block along Woodland Sq. Loop SE. According to the Thurston County Assessor, the subject contains 1.24 acres of land area.	
STREETS, ACCESS & EXPOSURE	<p>Woodland Sq. Loop SE is a two-way street with a single lane of traffic in each direction as well as on-street parking. It is improved with curbs and lighted sidewalks. Primary access to the subject's office node is via College St. SE to the east, but additional access is available through side streets to the south and west.</p> <p>Accessibility is good given its access to local arterials and I-5 to the north. Visibility is average, as it has no frontage along local arterials.</p>	

**TOPOGRAPHY &
SOIL CONDITIONS**

The site is level and at-grade with neighboring parcels and roads.

We were not provided with any soils reports and we assume the soils are adequate to support any building improvements that might represent the highest and best use of the site. No obvious signs of settling were noted upon inspection; however, this should not be construed as a guarantee that the soils are adequate to support its current use.

UTILITIES

All normal public utilities are available to the subject site.

**ASSESSOR'S
INFORMATION**

The assessed value is 106% of our value conclusion of \$930,000

Real Estate Tax Analysis

APN # 84990001100, -1000

Year	Assessed Values			Taxes & Fees				Levy Rate
	Total	Land	Building	Taxes	Weed	Cons	Total	
2016	\$985,250	\$524,750	\$460,500	\$12,450.10	\$9.30	\$10.00	\$12,469.40	\$12.636488
2015	\$943,950	\$555,650	\$388,300	\$12,666.94	\$7.30	\$10.00	\$12,684.24	\$13.419079

ZONING

The subject is zoned Urban Neighborhood 1 within the Woodland District zoning, dictated by the City of Lacey. This is intended to encourage a diversity of uses in the city core that are pedestrian and transit friendly. A variety of commercial uses are permitted, focused on service, medical, educational, office, and locally-serving retail. Multi-family, residential uses are also permitted. No maximum FAR is specified and required office parking is 1.5 to 2 stalls per 1,000 sq ft depending on customer service components.

The subject's current improvements are legally conforming to current zoning.

CONCLUSION

In summary, the site characteristics are similar to other properties in the immediate vicinity. There are no site conditions known to the appraisers that have a negative impact on the value or marketability of the subject site.

Description of Improvements

INTRODUCTION

The site is improved with an average quality, Class "C" office building. It is currently in average condition and includes 5,746 sq ft of rentable area.

PHYSICAL AGE

The building was constructed in 1985, and it has an estimated effective age of 20 years.

FRAMING & EXTERIOR The foundation is poured in-place concrete slab on grade. The roof has a sloping, shingled section that wraps around the structure, with a small, flat membrane section at the core supporting rooftop HVAC units. The structure features a mostly brick exterior with a partially covered walkway.

INTERIOR FINISH The subject reflects a functional office structure, built-out for a typical Dept. of Licensing operation. This includes a large, service/waiting area at the core of the building with small areas of supporting offices and staff rooms at the rear.

Interior finishes include painted gypsum wallboard, ceiling tiles, fluorescent lighting, carpet in offices, and primarily vinyl flooring in the service area. Heating and cooling is by forced air units with distribution suspending on the ceiling. The building is not sprinklered. Although service oriented currently, the structure's layout is functional and adaptable, appealing to a variety of office users.

SITE IMPROVEMENTS & PARKING The building sits at the northeast corner of the parcels, along Woodland Sq. Loop SE, with substantial improved parking areas wrapping around to the west and south. Parking is above average at a ratio of 6.79 stalls per 1,000 sq ft of rentable area. However, this ratio excludes the 62 stalls within the subject's western lot (APN #84990001100). While the current tenant leases some of these stalls, these parking spots are not required to support the subject's improvements and would be better used to support adjacent, under-parked buildings within the ownership's portfolio.

After the January 2018 expiration of the subject's parking lease, this report assumes that parking easements are in place to benefit the owner's 637 and 640 Woodland Sq. Loop buildings.

The property features moderate landscaping along the building and street frontage, including a variety of trees and shrubs.

CONDITION & FUNCTIONAL UTILITY The building is in average condition and would attract a variety of office users.

Highest & Best Use

Highest & Best Use

“Highest & Best Use” is defined by the Appraisal Institute as:

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Source: The Dictionary of Real Estate Appraisal, Sixth Edition. Chicago: Appraisal Institute, 2015.

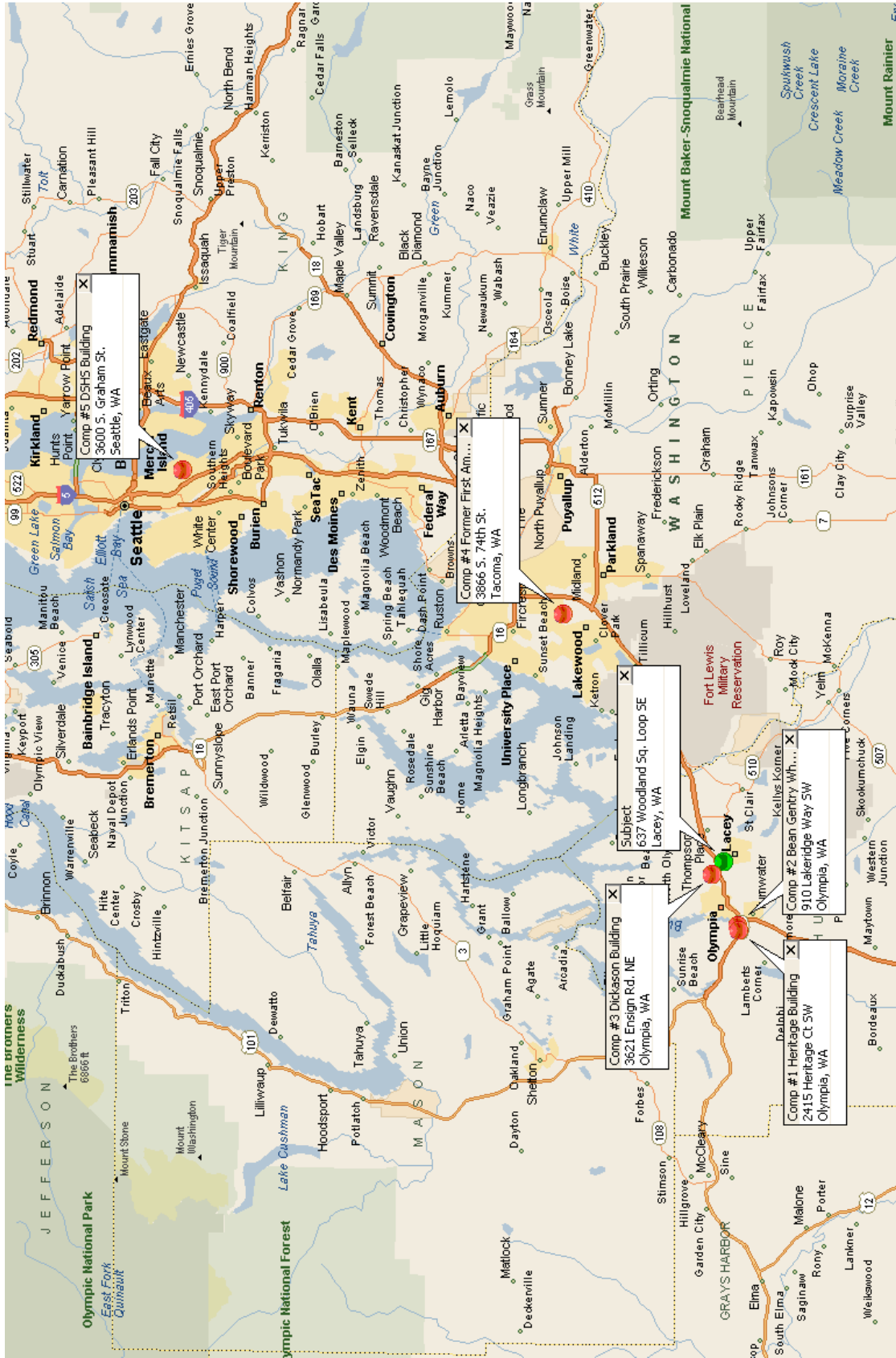
As if Vacant

The subject is zoned Urban Neighborhood 1 within the Woodland District zoning, dictated by the City of Lacey. This is intended to encourage a diversity of uses in the city core that are pedestrian and transit friendly. A variety of commercial uses are permitted, focused on service, medical, educational, office, and locally-serving retail. Multi-family, residential uses are also allowed. No maximum FAR is specified. The subject's size, shape, and topography are sufficiently conducive to support a variety of uses. Surrounding properties are almost exclusively office uses, transitioning to retail further to the west. Recent office development has been limited to a very few owner-user and pre-leased projects, with retail activity increases concentrated in superior retail pockets like Hawk's Prairie. The highest and best use of the site as if vacant is for commercial development, as dictated by market demand and conditions.

As Improved

The subject is a good quality office building, fully leased to a government tenant. Existing improvements are in average condition and, as shown later in this report, contribute significant value to the site; therefore, demolition or conversion are not likely. While the subject has a high LTB ratio, current market conditions and strong need for additional parking makes an addition non-economical. As a result, the highest and best use is for continued office use, “as-is.”

Sales Comparison Approach



Sales Comparison Map

Sales Comparison Photographs

Comparable 1

Heritage Building
2415 Heritage Ct. SW
Olympia, WA



Comparable 2

Bean Gentry Wheeler
910 Lakeridge Way SW
Olympia, WA



Comparable 3

Dickason Building
3621 Ensign Rd. NE
Olympia, WA



Sales Comparison Photographs

Comparable 4

Former First American Plaza
3866 S. 74th St.
Tacoma, WA



Comparable 5

DSHS Building
3600 S. Graham St.
Seattle, WA



SALES COMPARISON SUMMARY

No	Name / Location	Year Build	GLA	Land LTB Ratio Pkg Ratio	Sale Date	Sale Price	Price/SF	Cap Rate	\$NOI/SF	Buyer / Seller / Source	Comments
1.	Heritage Building 2415 Heritage Ct SW Olympia, WA	1992 Masonry	13,195	15,339 1.16 3.0/Ksf	Sep-15	\$2,000,000	\$152	NA	NA	Olympic Credit Fund, Inc. Angela Bowen Terry Wilson, KM, 360.705.1296	Sale of an older, single-story office building in the Westside submarket of Olympia. Good structure but very dated. Buyer was owner user and significantly renovated building.
2.	Bean Gentry Wheeler 910 Lakentidge Way SW Olympia, WA	1986 Masonry	9,216	13,939 1.51 2.7/Ksf	Dec-15	\$1,500,000	\$163	NA	NA	Legal Mumo Jumbo, LLC JA Morris Co., LLC Costar/Public Records	Office building near Thurston County Courthouse that sold to an owner-user lawfirm. Two-story over a partial daylight basement lower level.
3.	Dickason Building 3621 Ensign Rd. NE Olympia, WA	1977 Wood	6,206	23,578 3.80 3.7/Ksf	May-14	\$868,000	\$140	NA	NA	Pacific Dental Arts Wayne Dickason Costar/Public Records	Sale of a small, owner-user building to the northwest of subject, just outside of Lacey. Sold to dentist.
4.	Former First American Plaza 3866 S. 74th St. Tacoma, WA	1995 Masonry	22,624	47,400 2.10 See Notes	Feb-15 Stabilization	\$1,950,000 \$450,000 \$2,400,000	\$86 \$20 \$106	NA	NA	Acom Two, LLC First American Title Insurance Ben Norbe, KM, 253.722.1410	Office building in Tacoma that was vacant ATOS and on the market for several years. Purchased by dentist that will occupy 1st floor and lease the remainder. In good condition. Parking is ample with easement on neighboring lot.
5.	DSHS Building 3600 S. Graham St. Seattle, WA	1982; Ren. '09 Masonry	40,738	84,506 2.07 2.6/Ksf	Jul-15	\$8,200,000	\$201	\$13.08 6.50%		North American Chang Jiang 8, LLP Western Properties, Inc. Partick Starr, Broker, 360.671.9640	Building was 100% leased to DSHS at time of sale with 5-years remaining on their lease. The two-story structure in South Seattle was renovated in 2009.

Subject	1985	53,982	Appraisal	\$890,630	\$155
645 Woodland Sq. Loop SE	Masonry	9.39	Rounded	\$900,000	\$157
Lacey, WA	5,746	6.8/Ksf			

Sales Comparison Approach

Introduction

The Sales Comparison Approach is based on the premise that market value of the property is directly related to recent sale prices of competitive properties and the availability of substitute properties with similar utility and desirability. The most similar sales of properties are investigated and compared to the subject in this analysis. These comparables are summarized in the table on the facing page. Photographs and a location map are presented on previous pages.

Five improved sale comparisons were selected that are reasonably similar to the subject, indicating a range in value of \$106/sq ft to \$201/sq ft. These include a mix of government leased office buildings and owner-user transactions due to the smaller size of the subject. These range approximately between 6k and 41k sq ft of rentable area. Building ages vary between 1977 and 1986, with some having additional renovations. Sales dates range from May 2014 to December 2015. Comparable factors analyzed within each sale include sale and market conditions, location, age/condition, LTB/parking ratios, size, function, and tenancy.

The high end of the range (No. 5 at \$201/sq ft) is the July 2015 sale of the DSHS Building in South Seattle. This is a 40,738 sq ft, 1982 vintage structure that was renovated in 2009 and fully occupied by a government tenant with 5-years remaining on their lease. Its good condition and superior positioning in South Seattle indicate lower pricing for the subject.

The low end of the range (No. 4 at \$106/sq ft) is the February 2015 sale of a 22,624 sq ft office building from 1995. It was previously occupied by First American Title Insurance, but it sat vacant for a number of years. It was purchased by a dentist that will occupy the 1st floor and lease the remainder to multiple tenants. Stabilization costs of about \$20/sq ft were added to the sale price to arrive at our analysis price of \$106/sq ft. The comparable's high vacancy and strong sale motivation indicate a much higher pricing for the subject.

Sale No. 3 (\$140/sq ft) is the May 2014 purchase of a 1977 vintage office building in Olympia, just northwest of the subject. The single-story, wood structure contains 6,206 sq ft of rentable area and is supported by ample parking. The transaction was between owner-users with the buyer intended to operate their medical practice in the building. The comparable's aged sale date and inferior condition indicate a higher price per sq ft for the subject.

The remaining two sales (No. 1 & 2) are owner-user sales in west Olympia. No. 1 (\$152/sq ft) is the September 2015 sale of a single-story, 13,195 sq ft building. It was constructed in 1992, but it was in fair condition and the buyer significantly renovating the structure. The subject would warrant a higher price per square foot due to the comparable's inferior condition/construction, lower parking ratio, and slightly larger size.

No. 2 (\$163/sq ft) is the December 2015 sale of a 9,216 sq ft, brick office building from 1986 that features two stories with a partial daylight basement level. It sold to an owner-user law firm and was in good condition at the time of sale. While the comparable features slightly superior condition/construction and market positioning, the subject's strong parking ratio and slightly smaller size indicate a similar price per square foot.

Conclusion

Considering all these factors, the market value of the leased fee interest in the subject as of January 1, 2017 is estimated at:

$$5,746 \text{ sq ft} \times \$160/\text{sq ft} = \$920,000 \text{ (Rounded)}$$

Income Capitalization Approach

Income Capitalization Approach

Introduction

The Income Capitalization Approach is based on the precept that an income-producing property is typically purchased as an investment, and therefore the earning power of the asset is critical to understanding the property's value. This approach is developed by analyzing the property's income and expenses over the following base year to forecast the most probable net operating income (NOI). The estimated NOI is then capitalized at a market-derived capitalization rate to arrive at a price an investor might be willing to pay for the property. Data used in this approach includes a mixture of general and specific information resources. There are two methods typically used to indicate value: direct capitalization and yield capitalization (discounted cash flow analysis). In this case, direct capitalization is the most relevant and therefore used in this report.

Existing Lease Encumbrance (Contract Rent)

The subject is fully leased to the Department of Licensing. They signed a lease renewal in 2013 through January of 2018, at a flat rate of \$17.85/sq ft on a modified gross basis. The tenant pays utilities, garbage, and janitorial.

The current tenant also leases parking spots on the subject's vacant parcel. However, it is clear that these stalls would be better used to support adjacent, under-parked buildings that are under the same ownership as the subject. This additional income of \$1,543.75/month is projected through the end of January 2018, but it is assumed that parking easements are in place to benefit the owner's 637 and 640 Woodland Sq. Loop buildings thereafter. This additional income totals approximately \$20,000.

LEASE SUMMARY

No.	Tenant	Size	% of RA	Current Term		Rental Rates			Comments
				Begin	End	Begin	Monthly	\$/sf	
1	Dept. of Licensing 645 Woodland	5,746	100.00%	Feb-13	Jan-18	Feb-13	\$8,548.98	\$17.85	5-Year government lease renewal Flat Tenant only pays for utilities, garbage and janitorial Has an option to renegotiate lease for add'l 5 years LL had to complete basic property maintenance

Comparable Rental Data

In order to determine market rent for the subject property, we have researched the subject's submarket for recent listings and signed leases. We have selected rent comparables from similar office properties.



Rent Comparison Map

Rent Comparison Photographs

Comparable R-1
Blake Office Park
1009 College St. SE
Lacey, WA



Comparable R-2
Horse Racing Commission
6326 Martin Way East
Lacey, WA



Comparable R-3
Parsons Plaza
1111 Israel Rd. SE
Tumwater, WA



Rent Comparison Photographs

Comparable R-4

Dept. of Corrections Building
640 Woodland Sq. Loop SE
Lacey, WA



SUMMARY OF RENT COMPARABLES

No	Name/Address	Age RA (SF) Stories	Tenant Area (SF)	Term	Start Date	Base Year Rent		Expenses	TI Allowance		Comments/Confirmation
						Ann.	Escalations		Free	Rent	
1	Blake Office Park 1009 College Street SE Lacey, WA	1992 60,000 2-Story	16,783	10 Years	Jul-16	\$16.50	Flat	Mod. Gross	Minimal None		5-Year lease extension with tenant paying utilities, garbage, and janitorial expenses. TI work is considered minimal, primarily small building repairs. MG rate of \$16.50/sq ft.
2	Horse Racing Commission 6326 Martin Way East Lacey, WA	1984 9,962 2-Story	18,816	2 Years	Feb-15	\$16.90	Flat	Mod. Gross	Minimal None		2-Year lease extension with tenant paying utilities, garbage, and janitorial expenses. No TI allowance or free rent was provided. Lease to Dept. of Corrections, with leased areas in two adjacent buildings. MG rate of \$16.90/sq ft. <i>Public Lease</i>
3	Parsons Plaza 1111 Israel Rd. SE Tumwater, WA	2008 52,510 3-Story	2,093	5 Years	Sep-16	\$16.33	Flat	Mod. Gross Equiv.	Minimal None		5-Year lease extension with tenant paying only janitorial expenses. TI work is considered minimal, primarily small building repairs. <i>Public Lease</i>
4	Dept. of Corrections Building 637 Woodland Sq. Loop SE Lacey, WA	1986 18,104 2-Story	5,653	5 Years	Sep-15	\$18.60	Flat	Mod. Gross Equiv.	Minimal None		5-Year extension with tenant on a full service lease at \$21.60/sq ft. TI work is considered minimal, primarily small building repairs. Lease to Env. & Land Use Hearings Office. <i>Internal Records</i>
											Typical, 5-year renewal of government lease within single tenant building. Landlord completed minor repairs and maintenance to the property. <i>Receivership Lease Files</i>
	Subject 645 Woodland Sq. Loop SE Lacey, WA	1985 5,746 1-Story	5,746		Appraisal	\$17.50		Mod. Gross	Minimal None		

Comparative Analysis

Rental rates for office properties are often quoted in a variety of gross and modified gross ways, with expenses being reimbursed to different extents. However, the majority of government office leases, including the subject's, are on modified gross terms with the tenant covering utilities, janitorial, and garbage expenses. We analyze the subject and comparables selected based on these same lease terms.

Five recent, government leases within the subject's general submarket indicate modified gross rates of \$16.33/sq ft to \$18.60/sq ft with no escalations. The rent comparables reflect terms of two to ten years with no free rent. TI allowances are mostly basic repairs and maintenance, typical of government leases.

The high end of the range is marked by a 5,653 sq ft lease in Tumwater, signed in September of 2015 (No. 3 at \$18.60/sq ft). The government tenant signed a 5-year renewal within a superior quality office building, delivered in 2008. Based on the comparable's condition and market positioning, the subject would warrant a lower rental rate. As office quality increases, especially in areas like Tumwater, rates can easily exceed \$20/sq ft within superior, Class A office product.

The low end of the range (No. 2 at \$16.33/sq ft) represents a September 2016, 2,093 sq ft lease with the Horse Racing Commission. The structure is of an inferior, wood-framed construction and the tenant is on the 2nd floor of a somewhat remote retail building. Given its positioning and overall building condition, the subject would warrant a higher rental rate.

Just above this comparable are two leases within a dated, 1992 vintage office building just south of the subject (No. 1 at \$16.50/sq ft and \$16.90/sq ft). The government leases (16,783 sq ft and 18,816 sq ft) included minimal TI and no free rent. Given the larger size, dated condition, and multi-tenancy of the comparables, the subject would warrant a slightly higher rental rate.

Adjacent to the subject, an 18,104 sq ft renewal with the Department of Corrections was signed in June of 2014 (No. 4 at \$18.40/sq ft). The 1986 vintage structure is in good condition and features a more traditional office build-out. Overall, this single-tenant structure marks the high end of similar leasing within the subject's immediate node. The subject would likely warrant a slightly lower rental rate.

Market Rent Estimate

Overall, the subject would warrant a market rental rate of \$17.50/sq ft. This is well-supported by the selected comparables, including the subject's 2013 renewal at \$17.85/sq ft. Typical, 5-year government lease terms are expected, including no escalations, minimal free rent, and minor TI allowance. The subject's contract rent of \$17.85/sq ft/year is within 3% of our market rental rate estimate as shown in the following table.

Annual Gross Income Estimate

Tenant	%	sq ft	Contract Rent		Market Rent		Contract vs. Market	
			Annual Rent	\$/SF	Annual Rent	\$/SF	Gross	\$/SF
Dept. of Licensing	100.0%	5,746	\$102,588	\$17.85	\$100,555	\$17.50	\$2,033	\$0.35
Occupied	100%	5,746	\$102,588	\$17.85	\$100,555	\$17.50	\$2,033	\$0.35
Vacant	0%							

Gross Rent Estimate

The contract rent essentially reflects a market rental rate for the subject and is used in the direct capitalization analysis. The projected gross rental income is estimated at \$102,588, or \$17.85/sq ft/year.

Operating Expenses and Recoveries

As noted previously, contract rent and market rent estimates for the subject are on a modified gross basis with the tenant paying for utilities, garbage collection, and janitorial. Historical expenses at the subject property were not available, so this appraisal relies on expenses from comparable office properties.

Projected real estate taxes are based on 85% of the assessed value concluded in this report and the 2016 levy rates. This comes to \$1.74/sq ft, which is slightly below historical levels due to the assumed parking easements in place across the subject. Insurance expenses typically range from \$0.20 to \$0.30/sq ft for similar properties, indicating an average expense of \$0.25/sq ft for the subject. Management expenses usually range between 2% and 4% for office properties. Given the subject's small size, a rate of 4.0% is used. Utilities are projected at \$2.00/sq ft based on comparables, but are paid by the tenant. Repair and maintenance costs for similar properties typically range between \$0.75/sq ft and \$1.25/sq ft. Considering the subject's historical maintenance and current condition, these expenses are forecasted at \$1.00/sq ft.

Landscaping and security expenses typically range between \$0.20/sq ft and \$0.60/sq ft, indicating \$0.50/sq ft for the subject given its moderate landscaping across its two parcels. Janitorial expenses are also covered by the tenant, but are projected at comparable averages around \$1.00/sq ft. Miscellaneous expenses are projected to be minimal at \$0.05/sq ft.

Recoverable expenses total \$42,123 per year or \$7.33/sq ft.

Non-recoverable expenses are also considered in our analysis, which include reserves and other ownership expenses. These are projected at \$0.20/sq ft, bringing total property expenses projected to \$43,273 per year, or \$7.53/sq ft.

**Vacancy &
Collection Loss**

A 5% vacancy and credit loss allowance is deducted from the estimated potential gross income. This rate is below the current Lacey submarket vacancy rate, but is in-line with how traditional investors would analyze the subject.

**Direct
Capitalization**

Direct capitalization is the process of converting the estimated stabilized net operating income into market value using a market derived overall capitalization rate. The overall rate is a ratio of net operating income to sales price, usually determined through recent sale comparisons.

Of the comparables used in the Sales Comparison Approach, only one reported a capitalization rate of 6.50%. This reflects the July 2015 sale of a recently renovated building in the superior submarket of South Seattle, fully leased by DSHS, indicating a much higher capitalization rate for the subject.

We conducted further research for additional sales taking place in the current market for office properties. The best and most current market capitalization rate data are outlined in the following table.

RECENT CAPITALIZATION RATE SUMMARY

Property Name	City	Age	Bldg SF	Sale Date	Sale Price	Cap Rate
Richland Government Building	Richland	1995	57,937	Sep-15	\$6,300,000	8.49%
Social Security Building	Puyallup	2001	10,000	Sep-15	\$3,210,000	7.22%
DSHS	Seattle	1982; '08	40,738	Jul-15	\$8,200,000	6.50%
Washington Trucking Building	Federal Way	1980	11,500	Jun-15	\$1,300,000	8.30%
Maplewood Office Building	Federal Way	2005	32,074	May-15	\$5,850,000	7.40%
East Campus Corp. Park I	Federal Way	2001	105,807	Mar-15	\$17,900,000	7.50%
Union Ave. Medical Building	Tacoma	1986	19,643	Jan-15	\$3,710,458	7.98%
Chandler & Bristol Buildings	Olympia	1991/2000	103,618	Dec-14	\$15,000,000	8.30%
US Forest Service Building	Olympia	1991; '14	41,822	Dec-14	\$12,025,000	6.98%
Tacoma DSHS	Tacoma	1994	30,000	Oct-14	\$4,500,000	8.93%
King County Housing Building	Tukwila	1974	11,473	Aug-14	\$1,650,000	6.83%
M Parsons Plaza	Tumwater	2008	52,510	Jan-14	\$16,700,100	6.50%
FAA Building	Renton	1990	199,168	Nov-11	\$35,250,000	8.35%
Average						7.64%
Min						6.50%
Max						8.93%

The data show a range of capitalization rates mainly between 6.5% and 9.0% with an average just above 7.5%. Rates below 7% have typically been reserved for buildings with strong, long-term tenancy that benefit from close-in positioning and/or new construction. Into the 7-8% range you find older structures of good condition and solid tenancy, with rates increasing as building age and remaining term/tenant quality falls. Rates then quickly rise above 8% when significant vacancy is present, as leasing activity can be slow and there is still general uncertainty surrounding the submarket. Overall, the subject would warrant a capitalization rate just above the middle of this range.

Another source for capitalization rates are investor surveys. On a national basis, the PwC Investor Survey 3rd Quarter 2016 reported the overall capitalization rate range for the Seattle Office Market at 4.5% to 8.00%. The average is 5.81%, down from 6.18% a year ago and 6.71% three years ago. Overall, rates in the Puget Sound Region are trending slightly higher than national rates.

Based upon all the above information and considering the condition of the subject property, an appropriate overall capitalization rate for the subject property is a range of 7.50% to 8.00%.

A summary of the direct capitalization analysis is shown on the following page:

Summary of Direct Capitalization
645 Woodland Sq. Loop SE

		Appraiser's Forecast	
INCOME	RA (SF)	FYE Dec '17	\$/SF/Yr
Market Rent	5,746	\$102,588	\$17.85
Reimbursable Expenses	5,746	\$17,238	\$3.00
POTENTIAL GROSS INCOME (PGI)	5,746	\$119,826	
VACANCY & COLLECTION LOSS	5.0%	\$5,991	\$1.04
EFFECTIVE GROSS INCOME (EGI)		\$113,834	\$19.81
EXPENSES			
RECOVERABLE			
Real Estate Taxes		\$9,989	\$1.74
Insurance		\$1,437	\$0.25
Management	4.0%	\$4,553	\$0.79
Utilities		\$11,492	\$2.00
Landscaping & Security		\$2,873	\$0.50
Repairs & Maintenance		\$5,746	\$1.00
Janitorial		\$5,746	\$1.00
Miscellaneous		\$287	\$0.05
Total Recoverable Expenses		\$42,123	\$7.33
NON-RECOVERABLE			
Replacement Reserves		\$862	\$0.15
Legal/Accounting		\$287	\$0.05
Total Recoverable Expenses		\$1,149	\$0.20
TOTAL EXPENSES		\$43,273	\$7.53
NET OPERATING INCOME		\$70,562	\$12.28
AS-IS MARKET VALUE			
NOI capitalized at:	7.50%	\$940,826	\$164
	8.00%	\$882,024	\$154
RECONCILED VALUE	7.67%	\$920,000	\$160
Remaining Parking Revenue		\$20,000	
	7.51%	\$940,000	\$164

Income Approach
Value Conclusion

Applying these capitalization rates results in the following market values:

7.50%	=	\$940,826
8.00%	=	\$882,024

We correlate this to a market value toward the middle of the range at \$920,000. After adding the remaining, \$20,000 in parking income, the subject's market value comes to \$940,000.

Reconciliation & Final Value Opinion

Reconciliation & Final Value Estimate

Final Value Estimate The approaches to value utilized in this report have indicated the following values for the subject property:

Cost Approach	N/A
Sale Comparison Approach	\$920,000
Income Capitalization Approach	\$940,000

The Income Capitalization Approach indicates a value somewhat higher than the Sales Comparison Approach, although their values are marginally different and supportive of one another. Considering the subject's characteristics and limited lease term remaining, it could attract an investor or owner-user buyer.

VALUE CONCLUSION Based on the close concentration of our values, the prospective market value of the leased fee interest in the subject, as of January 1, 2017, is concluded to:

\$930,000

ADDENDUM

Engagement Letter

September 27, 2016

Scott Switzer of
Seahawk Portfolio LLC, Mariners Portfolio LLC, WA Portfolio LLC, and Olympia Office LLC
10900 4th Ave., Suite 2300
Bellevue, WA 98004

Via e-mail - Scott@snsll.com

RE: Engagement of Services – Nine Appraisal Reports

Dear Mr. Switzer:

We are pleased to have the opportunity to furnish appraisal services for the nine properties listed below:

- | | |
|---|---|
| #1) CD 1-02 FEMA
629 Woodland Square Loop, Lacey, WA | #6) CDC1-15-DSHS
640 Woodland Square Loop, Lacey, WA |
| #2) CDC1-13 Ins Comm
5000 Capital - Tumwater, WA | #7) CDC1-18 DSHS
805 S. Mission St., Wenatchee, WA |
| #3) CDC1 -03 DOC
637 Woodland Square Loop, Lacey, WA | #8) CDC1-16 DSHS
1620 Pioneer Way, Moses Lake, WA |
| #4) CDC 1 - 04 DOL
645 Woodland Square Loop, Lacey, WA | #9) CDC1-11 West Seattle
8830 25th Ave., SW, Seattle, WA |
| #5) CDC-1-14 Gambling Comm
4565 7th Ave. SE, Lacey, WA | |

The purpose of this letter is to confirm the scope of our services for this engagement, our office practices and policies.

We will prepare the appraisals report using an appraisal process in accordance with the appraisal reporting standards of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. It will contain the descriptions, comparative data, analyses, conclusions and exhibits generally considered essential to a documented appraisal report. In addition, our services will comply with and be subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. The intended user of these appraisals is the client. The intended use of these appraisals is for internal purposes of valuing the properties.

The cost of the nine appraisals will be \$. This fee is based on the scope and timing of our analysis as outlined in this letter. If the scope of analysis changes during the appraisal process, the change could alter the cost. At the stated fee you will receive an electronic copy of the report in PDF format. You may request up to two optional hard copies without additional charge by checking the box by the signature block. Additional hard copies will be available at nominal expense (billed at \$75/hour for administrative staff's time), but it is helpful if we know of your copy requirements at the time we begin work on the project. It is our custom to accept a 50 percent retainer at the time we are authorized to proceed. Payment for our services is due no later than 30 days following delivery of the completed reports. Any past-due accounts bear interest at the rate of 18 percent per year.

Scott Switzer of
September 27, 2016
Page 2

Appraisal values will be reported on October 20th, 2016 and we anticipate delivery of the reports will be made within six weeks from the date we receive from you a signed copy of this engagement letter authorizing us to proceed.

We do not anticipate that any disputes will arise out of our relationship with you. However, if any dispute should arise about our services or fees or any other aspect of our relationship, we and you agree to seek a fair negotiated resolution. If this is not successful, all disputes shall be resolved by binding arbitration in Seattle under the American Arbitration Association ("AAA") Commercial Arbitration Rules with Expedited Procedures in effect on the date hereof. The arbitrator may award attorneys' fees and costs to the prevailing party.

If you agree with these terms of engagement and wish us to proceed, please sign where indicated below and return the letter together with your check for \$ _____ representing the retainer.

Very truly yours,

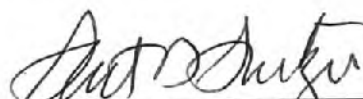
KIDDER MATHEWS



David M. Chudzik, Ph.D., MAI
Vice President

Check if two hard copy reports are required: ☐

ACCEPTED & AGREED this 27th day of September, 2016:


Authorized agent for the LLC's

092716 Scott Switzer /sh

Title Report



COMMITMENT FOR TITLE INSURANCE

Issued by

FIRST AMERICAN TITLE INSURANCE COMPANY

First American Title Insurance Company, herein called the Company, for valuable consideration, hereby commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the proposed Insured named in Schedule A, as owner or mortgagor of the estate or interest covered hereby in the land described or referred to in Schedule A, upon payment of the premiums and charges therefor; all subject to the provisions of Schedules A and B and to the Conditions and Stipulations hereof.

This Commitment shall be effective only when the identity of the proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A hereof by the Company, either at the time of the issuance of the Commitment or by subsequent endorsement.

This Commitment if preliminary to the issuance of such policy or policies of title insurance and all liability and obligations hereunder shall cease and terminate six (6) months after the effective date hereof or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue such policy or policies is not the fault of the Company. This Commitment shall not be valid or binding until countersigned by an authorized officer or agent.

IN WITNESS WHEREOF, the Company has caused this commitment to be signed, to become valid when countersigned by an authorized officer or agent of the Company, all in accordance with its By-Laws. This Commitment is effective as of the date shown in Schedule A as "Effective Date."

First American Title Insurance Company

Dennis J. Gilmore
President

Jeffrey S. Robinson
Secretary



***First American Title Insurance Company
National Commercial Services***

818 Stewart Street, Suite 800, Seattle, WA 98101
(206)728-0400 - (800)526-7544 FAX (206)448-6348

Lavonne Bowman
(206)615-3269
lavbowman@firstam.com

Jessica Bowerman
(206)615-3049
jbowerman@firstam.com

To: **Philips International**
295 Madison Avenue
New York, NY 10017

File No.: **NCS-811748-WA1**
Your Ref No.: **Thurston Co**

Attn: **Robyn Tuerk, Esq.**

SCHEDULE A

1. Commitment Date: September 02, 2016 at 7:30 A.M.

2. Policy or Policies to be issued:

	AMOUNT	PREMIUM	TAX
ALTA Standard Owner Policy	\$ To follow	\$	\$

Proposed Insured:
To follow

3. The estate or interest in the land described on Page 2 herein is **Fee Simple**, and title thereto is at the effective date hereof vested in:

645 Woodland, LLC, a Washington limited liability company as to Lot 10 of Parcel A and CDC Properties I, L.L.C., a Delaware limited liability company as to the remainder

4. The land referred to in this Commitment is described as follows:

The land referred to in this report is described in Exhibit "A" attached hereto.

EXHIBIT 'A'

LEGAL DESCRIPTION:

PARCEL A:

LOTS 10 AND 11 WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON.

PARCEL B:

PARCELS A AND B OF BOUNDARY LINE ADJUSTMENT NO. SS-BLA-6144 RECORDED UNDER RECORDING NO. [8709180126](#), RECORDS OF THURSTON COUNTY, WASHINGTON.

(BEING LOTS 12, 13 AND 14 WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON)

PARCEL C:

PARCEL A OF BOUNDARY LINE ADJUSTMENT NO. BLA-6196 RECORDED UNDER RECORDING NO. [9010160091](#), RECORDS OF THURSTON COUNTY, WASHINGTON.

(BEING LOTS 31 THROUGH 34 WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON)

PARCEL D:

LOTS 35 AND 36 OF WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON.

PARCEL E:

LOTS 1 THROUGH 6 INCLUSIVE AND LOTS 9 THROUGH 16 INCLUSIVE, ALL IN TROSPER ADDITION TO TUMWATER, AS PER PLAT RECORDED IN [VOLUME 11 OF PLATS, PAGE 107](#), RECORDS OF THURSTON COUNTY, WASHINGTON;

EXCEPT THE SOUTH 18 FEET OF SAID LOT 6;

AND ALSO EXCEPT THOSE PORTIONS OF LOTS 1 AND 16 OF SAID PLAT CONVEYED TO THE CITY OF TUMWATER FOR STREET PURPOSES BY DEEDS RECORDED UNDER RECORDING NOS. 912527 AND 926019;

TOGETHER WITH THOSE PORTIONS OF VACATED MARKET STREET ABUTTING AND ADJOINING SAID LOTS VACATED BY ORDINANCE 515, RECORDED UNDER RECORDING NO. 775791, WHICH UPON VACATION REVERTED TO SAID PREMISES BY OPERATION OF LAW.

SCHEDULE B - SECTION 1
REQUIREMENTS

The following are the Requirements to be complied with:

- Item (A) Payment to or for the account of the Grantors or Mortgagors of the full consideration for the estate or interest to be insured.
- Item (B) Proper instrument(s) creating the estate or interest to be insured must be executed and duly filed for record.
- Item (C) Pay us the premiums, fees and charges for the policy.
- Item (D) You must tell us in writing the name of anyone not referred to in this Commitment who will get an interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions

SCHEDULE B - SECTION 2
GENERAL EXCEPTIONS

The Policy or Policies to be issued will contain Exceptions to the following unless the same are disposed of to the satisfaction of the Company.

- A. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
- B. Any facts, rights, interest, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of person in possession thereof.
- C. Easements, claims of easement or encumbrances which are not shown by the public records.
- D. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
- E. (1) Unpatented mining claims; (2) reservations or exceptions in patents or in acts authorizing the issuance thereof; (3) Water rights, claims or title to water; whether or not the matters excepted under (1), (2) or (3) are shown by the public records; (4) Indian Tribal Codes or Regulations, Indian Treaty or Aboriginal Rights, including easements or equitable servitudes.
- F. Any lien, or right to a lien, for services, labor, materials or medical assistance heretofore or hereafter furnished, imposed by law and not shown by the public records.
- G. Any service, installation, connection, maintenance, construction, tap or reimbursement charges/costs for sewer, water, garbage or electricity.
- H. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date the proposed insured acquires of record for value the estate or interest or mortgages thereon covered by this Commitment.

**SCHEDULE B - SECTION 2
(continued)
SPECIAL EXCEPTIONS**

1. Lien of the Real Estate Excise Sales Tax and Surcharge upon any sale of said premises, if unpaid. As of the date herein, the excise tax rate for the **City of Tumwater (Parcel E) and Lacey (the remainder)** is at **1.78%**.
Levy/Area Code: 440 and 241

For all transactions recorded on or after July 1, 2005:

- A fee of \$10.00 will be charged on all exempt transactions;
- A fee of \$5.00 will be charged on all taxable transactions in addition to the excise tax due.

2. Matters of extended owner/purchaser coverage which are dependent upon an inspection and an ALTA survey of the property for determination of insurability.

Please submit a copy of the ALTA Survey at your earliest convenience for review. Our inspection will be held pending our review of the ALTA Survey and the result of said inspection will be furnished by supplemental report.

3. Evidence of the authority of the individual(s) to execute the forthcoming document for 645 Woodland, LLC, a Washington limited liability company, copies of the current operating agreement should be submitted prior to closing.
4. Evidence of the authority of the individual(s) to execute the forthcoming document for CDC Properties I, L.L.C., a Delaware limited liability company, copies of the current operating agreement should be submitted prior to closing.
5. Title to vest in an incoming owner whose name is not disclosed. Such name must be furnished to us so that a name search may be made.
6. Unrecorded leaseholds, if any, rights of vendors and security agreement on personal property and rights of tenants, and secured parties to remove trade fixtures at the expiration of the term.
7. Prior to issuance of an extended coverage policy, the Company will require an Owner's Affidavit be completed and submitted to the Company for approval prior to closing. The Company reserves the right to make any additional requirement as warranted.

The Following Matters Affect Parcel A:

8. General Taxes for the year 2016.

Tax Account No.:	8499-00-01000
Amount Billed:	\$ 8,719.98
Amount Paid:	\$ 4,359.99
Amount Due:	\$ 4,359.99
Assessed Land Value:	\$ 262,400.00
Assessed Improvement Value:	\$ 426,900.00

(Affects Lot 10)

9. General Taxes for the year 2016.

Tax Account No.:	8499-00-01100
Amount Billed:	\$ 3,749.42
Amount Paid:	\$ 1,874.71
Amount Due:	\$ 1,874.71
Assessed Land Value:	\$ 262,350.00
Assessed Improvement Value:	\$ 33,600.00

(Affects Lot 11)

10. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

11. Easement, including terms and provisions contained therein:

Recording Information:	December 6, 1971 under Recording No. 856136
In Favor of:	National Guaranty Properties, Inc., a Washington corporation
For:	Utilities
Affects:	as described therein

12. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

13. Easement, including terms and provisions contained therein:

Recording Information:	September 3, 1985 under Recording No. 8509030026
In Favor of:	Puget Sound Power & Light Company
For:	Electric transmission and/or distribution system
Affects:	as described therein

14. Easement, including terms and provisions contained therein:

Recording Information:	September 10, 1987 under Recording No. 8709100109
In Favor of:	Washington Natural Gas Company
For:	Gas pipe lines
Affects:	as described therein

15. Deed of Trust and the terms and conditions thereof.

Grantor/Trustor:	CDC Properties I LLC
Grantee/Beneficiary:	Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns
Trustee:	First American Title Company
Amount:	\$43,257,500.00
Recorded:	October 1, 2004
Recording Information:	3677846 , 3677847 , 3677848 and 3677849

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788501](#), [3788502](#), [3788503](#), [3788504](#), [3788505](#) and [3788506](#) of Official Records.

Document(s) declaring modifications thereof recorded November 29, 2012 as [4303262](#) of Official Records.

A document recorded March 9, 2016 as [4490575](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509671](#) of Official Records.

16. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns
Recorded: October 1, 2004
Recording Information: [3677850](#) and [3677851](#)

According to the public records, the beneficial interest under the assignment of leases was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788501](#), [3788502](#), [3788503](#), [3788504](#), [3788505](#) and [3788506](#) of Official Records.

(Affects Lot 11)

17. A financing statement recorded October 6, 2004 as Recording No. [3679094](#) of Official Records.
Debtor: CDC Properties I LLC
Secured party: Merrill Lynch Mortgage Lending, Inc.

According to the public records, the security interest of the secured party was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by document recorded November 29, 2005 as Recording No. [3788517](#) of Official Records.

An amendment to the financing statement was recorded October 7, 2014 as [4412200](#) of Official Records.

(Affects Lot 11)

18. A lease dated February 25, 2008, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Licensing as lessee, for a term of 5 years recorded April 2, 2008 as [4000163](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lots 10 and 11)

19. A lease dated January 28, 2009, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded February 26, 2009 as [4062838](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 11 and other property)

20. A lease dated July 20, 2012, executed by 645 Woodland, LLC, a Washington limited liability company as lessor and State of Washington, Department of Licensing as lessee, for a term of 5 years recorded October 30, [2012 as 4297374](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 10)

21. A lease dated July 20, 2012, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Licensing as lessee, for a term of 5 years recorded October 30, 2012 as [4297375](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 11)

22. A lease dated April 4, 2014, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded September [2, 2014 as 4407084](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 11 and other property)

The Following Matters Affect Parcel B:

23. General Taxes for the year 2016.

Tax Account No.:	8499-00-01400
Amount Billed:	\$ 35,805.83
Amount Paid:	\$ 17,902.91
Amount Due:	\$ 17,902.92
Assessed Land Value:	\$ 383,550.00
Assessed Improvement Value:	\$ 2,449,200.00

(Affects Parcel A)

24. General Taxes for the year 2016.

Tax Account No.:	8499-00-01200
Amount Billed:	\$ 21,094.97
Amount Paid:	\$ 10,547.48
Amount Due:	\$ 10,547.49
Assessed Land Value:	\$ 321,700.00
Assessed Improvement Value:	\$ 1,346,900.00

(Affects Parcel B)

25. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

26. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

27. Easement, including terms and provisions contained therein:

Recording Information:	September 3, 1985 under Recording No. 8509030026
In Favor of:	Puget Sound Power & Light Company
For:	Electric transmission and/or distribution system
Affects:	as described therein

28. Easement, including terms and provisions contained therein:

Recording Information:	August 18, 1987 under Recording No. 8708180149
In Favor of:	Puget Sound Power & Light Company
For:	Electric transmission and/or distribution system
Affects:	as described therein

29. Easement, including terms and provisions contained therein:
Recording Information: September 10, 1987 under Recording No. [8709100109](#)
In Favor of: Washington Natural Gas Company
For: Gas pipe lines
Affects: Exterior 7 feet of all lots abutting street frontage
30. Terms, covenants, conditions and restrictions as contained in recorded Lot Line Adjustment (Boundary Line Revision) SS-BLA-6144 :
Recorded: September 18, 1987
Recording Information: [8709180126](#)
31. The terms and provisions contained in the document entitled Agreement and Waiver of Protest, executed by and between Rainier General, Inc., and City of Lacey, recorded March 30, 1988 as Instrument No. [8803300035](#) of Official Records.
32. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC, a Delaware limited liability company
Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677834, 3677835, 3677836 and 3677837](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788483, 3788484, 3788485, 3788486, 3788487 and 3788488](#) of Official Records.

A document recorded March 9, 2016 as [4490577](#) of Official Records provides that Rainier Foreclosure Services, Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509651](#) of Official Records.

(Affects Parcel A)

33. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677838 and 3677839](#)
- Assignment of Assignment of Leases and Rents:
Assignor: Merrill Lynch Mortgage Lending, Inc., a Delaware corporation
Assignee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recorded: November 29, 2005

Recording Nos.: [3788483, 3788484, 3788485, 3788486, 3788487 and 3788488](#)

(Affects Parcel A)

34. Deed of Trust and the terms and conditions thereof.

Grantor/Trustor: CDC Properties I LLC, a Delaware limited liability company
Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677840, 3677841, 3677842 and 3677843](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788489, 3788490, 3788491, 3788492, 3788493 and 3788494](#) of Official Records.

A document recorded March 9, 2016 as [4490573](#) of Official Records provides that Rainier Foreclosure Services, Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509650](#) of Official Records.

(Affects Parcel B)

35. Assignment of leases and/or rents and the terms and conditions thereof:

Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677844 and 3677845](#)

Assignment of Assignment of Leases and Rents:

Assignor: Merrill Lynch Mortgage Lending, Inc., a Delaware corporation
Assignee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recorded: November 29, 2005
Recording Nos.: [3788489, 3788490, 3788491, 3788492, 3788493 and 3788494](#)

(Affects Parcel B)

36. A document entitled "Perpetual Reciprocal Easement, Mutual Maintenance Agreement and Covenant Running with the Land", executed by and between CDC Properties II LLC, a Delaware limited liability company and Blake Office Park LLC, a Washington limited liability company recorded April 14, 2008, as Instrument No. [4002859, 4002860 and 4002861](#) of Official Records.

(Affects Parcel A)

37. A lease dated January 28, 2009, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded February 26, 2006 as [4062838](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects said premises and other property)

38. A lease dated August 9, 2011, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and State of Washington, Employment Security Department as lessee, for a term of 5 years recorded August 26, 2011 as [4225692](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

39. A lease dated April 4, 2014, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded September 2, 2014 as [4407084](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects said premises and other property)

The Following Matters Affect Parcel C:

40. General Taxes for the year 2016.

Tax Account No.:	8499-00-03100
Amount Billed:	\$ 76,519.23
Amount Paid:	\$ 38,259.61
Amount Due:	\$ 38,259.62
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 5,712,500.00

(Affects Lot 31)

41. General Taxes for the year 2016.

Tax Account No.:	8499-00-03200
Amount Billed:	\$ 5,205.21
Amount Paid:	\$ 2,602.60
Amount Due:	\$ 2,602.61
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 69,000.00

(Affects Lot 32)

42. General Taxes for the year 2016.

Tax Account No.:	8499-00-03300
Amount Billed:	\$ 5,568.50
Amount Paid:	\$ 2,784.25
Amount Due:	\$ 2,784.25
Assessed Land Value:	\$ 373,000.00
Assessed Improvement Value:	\$ 66,900.00

(Affects Lot 33)

43. General Taxes for the year 2016.

Tax Account No.:	8499-00-03400
Amount Billed:	\$ 5,425.71
Amount Paid:	\$ 2,712.85
Amount Due:	\$ 2,712.86
Assessed Land Value:	\$ 373,000.00
Assessed Improvement Value:	\$ 55,600.00

(Affects Lot 34)

44. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

45. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said Plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

46. Easement, including terms and provisions contained therein:
Recording Information: September 3, 1985 under Recording No. [8509030026](#)
In Favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution system
Affects: as described therein
47. Easement, including terms and provisions contained therein:
Recording Information: September 10, 1987 under Recording No. [8709100109](#)
In Favor of: Washington Natural Gas Company
For: Gas pipe lines
Affects: as described therein
48. Terms, covenants, conditions and restrictions as contained in recorded Lot Line Adjustment (Boundary Line Revision) BLA No. BLA - 6196 :
Recorded: October 16, 1990
Recording Information: [9010160091](#)
49. Easement, including terms and provisions contained therein:
Recording Information: June 17, 1999 under Recording No. [3237665](#)
In Favor of: City of Lacey
For: Utilities
Affects: as described therein
50. A lease dated April 30, 2001, executed by Capital Development Company as lessor and State of Washington, Gambling Commission as lessee, for a term of 10 years recorded June 6, 2001 as Recording No. [3357438](#) of Official Records.
- Said lease, among other things provides for an option to renew for a period of 1 additional five year term.
- Document(s) declaring modifications thereof recorded as [3515647](#), [3695550](#), [3702397](#) and [3745306](#) of Official Records.
51. Easement, including terms and provisions contained therein:
Recording Information: August 17, 2001 under Recording No. [3373010](#)
In Favor of: City of Lacey
For: Utilities
Affects: as described therein
52. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC, a Delaware limited liability company

Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc.
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677822, 3677823, 3677824 and 3677825](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005- MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788495, 3788496, 3788497, 3788498, 3788499 and 3788500](#) of Official Records.

A document recorded March 9, 2016 as [4490578](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509652](#) of Official Records.

53. Assignment of leases and/or rents and the terms and conditions thereof:

Assignor: CDC Properties I LLC., a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677826 and 3677827](#)

Assignment of Assignment of Leases and Rents and Security Deposits:

Assignor: Merrill Lynch Mortgage Lending, Inc.
Assignee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005- MCP1
Recording Date: November 29, 2005
Recording Nos: [3788495, 3788496, 3788497, 3788498, 3788499 and 3788500](#)

54. Subordination, non-disturbance and attornment agreements:

Between Merrill Lynch Mortgage Lending, Inc.
And CDC Properties I, LLC
Recorded February 16, 2005
Recording Nos.: [3709712 and 3709713](#)

55. A lease dated November 30, 2005, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Services for the Blind, acting through the Department of General Administration as lessee, for a term of 5 years, 7 months recorded March 8, 2006 as Recording No. [3813420](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

56. A lease dated November 30, 2005, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Social and Health Services, acting through the Department of General Administration as lessee, for a term of 5 years & 7 months recorded March 8, 2006 as Recording No. [3813421](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

57. A lease dated August 18, 2006, executed by CDC Properties I, LLC and CDC Properties II, LLC., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Early Learning, acting through the Department of General Administration as lessee, for a term of 5 years recorded September 6, 2006 as Recording No. [3862862](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

58. A lease dated August 18, 2006, executed by CDC Properties I, LLC and CDC Properties II, LLC as lessor and State of Washington Department of Early Learning as lessee, for a term of 5 years recorded September 20, 2006 as [3866708](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

Document(s) declaring modifications thereof recorded September 13, 2007 as [3957547](#) of Official Records.

59. A lease dated October 6, 2006, executed by CDC Properties I, LLC., a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and The State of Washington, Department of Revenue, acting through the Department of General Administration as lessee, for a term of 5 years recorded January 8, 2007 as Recording No. [3893390](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

60. A lease dated March 28, 2007, executed by CDC Properties I, LLC and CDC Properties II, LLC., its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Social and Health Services, acting through the Department of General Administration as lessee, for a term of 5 years recorded April 26, 2007 as Recording No. [3921776](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

61. A lease dated July 20, 2007, executed by CDC Properties I, L.L.C., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953398](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

62. A lease dated July 20, 2007, executed by CDC Properties I, L.L.C., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953399](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

63. A lease dated July 20, 2007, executed by CDC Properties I, L.L.C., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953400](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

64. A lease dated July 19, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company and CDC Properties II, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Health Care Authority, acting through the Department of General Administration as lessee, for a term of 5 years recorded September 18, 2007 as Recording No. [3958584](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

Document(s) declaring modifications thereof recorded March 3, 2009 as [4064210](#) of Official Records.

65. A lease dated March 10, 2009, executed by State of Washington, Health Care Authority as lessor and State of Washington, Employment Security Department as lessee, for a term of 3 years recorded April 23, 2009 as [4076435](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

66. A lease dated May 21, 2009, executed by CDC Properties I, LLC as lessor and State of Washington, Sentencing Guidelines Commission as lessee, for a term of 5 years recorded June 18, 2009 as [4091170](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

67. A lease dated June 9, 2010, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 5 years recorded July 20, 2010 as [4160983](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

Document(s) declaring modifications thereof recorded April 18, 2011 as [4206949](#) of Official Records.

68. A lease dated August 9, 2011, executed by CDC Properties I, LLC as lessor and State of Washington, Employment Security Department as lessee, for a term of 5 years recorded August 26, 2011 as [4225692](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

69. A lease dated December 13, 2011, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Services for the Blind as lessee, for a term of 5 years recorded May 29, 2012 as [4268098](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

70. A lease dated March 2, 2012, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 5 years recorded May 29, 2012 as [4268100](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

71. A lease dated June 4, 2014, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Services for the Blind as lessee, for a term of 5 years recorded August 11, 2014 as [4404014](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

72. A lease dated September 16, 2014, executed by State of Washington, Employment Security Department as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 2 years recorded November 19, 2014 as [4417955](#) of Official Records.

(Affects a portion of said premises and other property)

The Following Matters Affect Parcel D:

73. General Taxes for the year 2016.

Tax Account No.:	8499-00-03500
Amount Billed:	\$ 5,094.01
Amount Paid:	\$ 2,547.00
Amount Due:	\$ 2,547.01
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 60,200.00

(Affects Lot 35)

74. General Taxes for the year 2016.

Tax Account No.:	8499-00-03600
Amount Billed:	\$ 89,839.35
Amount Paid:	\$ 44,919.67
Amount Due:	\$ 44,919.68
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 6,766,600.00

(Affects Lot 36)

75. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

76. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said Plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

77. Easement, including terms and provisions contained therein:

Recording Information:	September 3, 1985 under Recording No. 8509030026
In Favor of:	Puget Sound Power & Light Company, a Washington corporation
For:	Electric transmission and/or distribution system
Affects:	as described therein

78. Easement, including terms and provisions contained therein:

Recording Information:	September 10, 1987 under Recording No. 8709100109
In Favor of:	Washington Natural Gas Company, its successors and assigns
For:	Gas pipe lines
Affects:	as described therein

79. Easement, including terms and provisions contained therein:
Recording Information: June 17, 1999 under Recording No. [3237665](#)
In Favor of: City of Lacey, a municipal corporation
For: Utilities
Affects: as described therein
80. Easement, including terms and provisions contained therein:
Recording Information: March 2, 2000 under Recording No. [3281842](#)
In Favor of: Puget Sound Energy, Inc., a Washington corporation
For: Transmission, distribution and sale of gas and electricity
Affects: (Lot 36) as described therein

81. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC
Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc.
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677816, 3677817, 3677818 and 3677819](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788507, 3788508, 3788509, 3788510, 3788511 and 3788512](#) of Official Records.

A document recorded March 9, 2016 as [4490574](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509649](#) of Official Records.

82. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677820 and 3677821](#)

Assignment of Assignment of Leases and/or Rents:

Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recorded: November 29, 2005
Recording Nos.: [3788507, 3788508, 3788509, 3788510, 3788511 and 3788512](#)

83. A lease dated July 20, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and State of Washington, Employment Security Department, acting through the Department of General

Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953398](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of an additional term of 5 years.

Affects: The land and other property.

84. A lease dated July 20, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953399](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of an additional term of 5 years.

Affects: The land and other property.

85. A lease dated July 20, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953400](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of an additional term of 5 years.

Affects: The land and other property.

86. A lease dated June 9, 2010, executed by CDC Properties I, LLC and CDC Properties II, LLC as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 5 years recorded July 20, 2010 as [4160983](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

Affects: The land and other property.

Document(s) declaring modifications thereof recorded April 18, 2011 as [4206949](#) of Official Records.

87. A lease dated August 9, 2011, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Employment Security Department as lessee, for a term of 5 years recorded August 26, 2011 as [4225692](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

Affects: The land and other property.

88. A lease dated September 16, 2014, executed by State of Washington, Employment Security Department as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 2 years recorded November 19, 2014 as [4417955](#) of Official Records.

Affects: The land and other property.

The Following Matters Affect Parcel E:

89. General Taxes for the year 2016.
Tax Account No.: 8040-00-00100
Amount Billed: \$ 95,406.23
Amount Paid: \$ 47,703.11
Amount Due: \$ 47,703.12
Assessed Land Value: \$ 955,950.00
Assessed Improvement Value: \$ 6,086,200.00
90. City liens, if any, for the city of Lacey.
Note: An inquiry has NOT been made concerning the actual status of such liens.
91. Easement, including terms and provisions contained therein:
Recording Information: [592302](#)
In Favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution system
Affects: as described therein
92. Easement, including terms and provisions contained therein:
Recording Information: [679183](#)
In Favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution system
Affects: as described therein
93. The terms, provisions and easement(s) contained in the document entitled "Easement Agreement" recorded March 21, 1986 as Recording No. [8603210099](#) of Official Records.
94. A lease dated January 15, 2002, executed by Capital Development Company, for its heirs, executors, administrators, successors, and assigns as lessor and The State of Washington Office of the Insurance Commissioner, acting through the Department of General Administration as lessee, for a term of 12 years recorded February 27, 2002 as Recording No. [3415237](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of an additional 5 years.

Document(s) declaring modifications thereof recorded October 14, 2002 and February 17, 2005 as [3468958](#) and [3709860](#) of Official Records.
95. Easement, including terms and provisions contained therein:
Recording Information: May 21, 2002 under Recording No. [3435511](#)
In Favor of: City of Tumwater
For: Water main
Affects: 15 foot wide strips

96. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC
Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc.
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677828, 3677829, 3677830 and 3677831](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass- Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788477, 3788478, 3788479, 3788480, 3788481 and 3788482](#) of Official Records.

A document recorded March 9, 2016 as [4490576](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509645](#) of Official Records.

97. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677832 and 3677833](#)

Assignment of Assignment of Leases and Rents:

Assignor: Merrill Lynch Mortgage Lending, Inc.
Assignee: Wells Fargo Bank, N.A., as Trustee for the registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recording Nos: [3788477, 3788478, 3788479, 3788480, 3788481 and 3788482](#)
Recording Date: November 29, 2005

98. Subordination, non-disturbance and attornment agreements:
Between Merrill Lynch Mortgage Lending, Inc.
And CDC Properties I, LLC
Recorded February 16, 2005
Recording Nos.: [3709708 and 3709709](#)

99. A lease dated April 5, 2012, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and The State of Washington Office of the Insurance Commissioner, acting through the Department of Enterprise services as lessee, for a term of 5 years recorded may 29, 2012 as [4268097](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year period.

INFORMATIONAL NOTES

- A. Effective January 1, 1997, and pursuant to amendment of Washington State Statutes relating to standardization of recorded documents, the following format and content requirements must be met. Failure to comply may result in rejection of the document by the recorder.
- B. Any sketch attached hereto is done so as a courtesy only and is not part of any title commitment or policy. It is furnished solely for the purpose of assisting in locating the premises and First American expressly disclaims any liability which may result from reliance made upon it.
- C. The description can be abbreviated as suggested below if necessary to meet standardization requirements. The full text of the description must appear in the document(s) to be insured.
- Lots 10-14, 31-36, Woodland Square, [Vol. 20, P. 103](#) & 104
Parcels A-B BLA No. SS-BLA-6144, Rec. [8709180126](#)
Parcel A, BLA No. BLA - 6196, Rec. [9010160091](#)
Ptn Lots 1-6 & 9-16, Trosper Add., [Vol. 11, P. 107](#)
- D. A fee will be charged upon the cancellation of this Commitment pursuant to the Washington State Insurance Code and the filed Rate Schedule of the Company.

END OF SCHEDULE B



First American Title Insurance Company
National Commercial Services

COMMITMENT
Conditions and Stipulations

1. The term "mortgage" when used herein shall include deed of trust, trust deed, or other security instrument.
2. If the proposed Insured has or acquires actual knowledge of a defect, lien, encumbrance, adverse claim or other matter affecting the estate or interest or mortgage thereon covered by this Commitment, other than those shown in Schedule B hereof, and shall fail to disclose such knowledge to the Company in writing, the Company shall be relieved from liability for any loss or damage resulting from any act or reliance hereon to the extent the Company is prejudiced by failure to so disclose such knowledge. If the proposed Insured shall disclose such knowledge to the Company, or if the Company otherwise acquires actual knowledge of any such defect, lien, encumbrance, adverse claim or other matter, the Company at its option, may amend Schedule B of this Commitment accordingly, but such amendment shall not relieve the Company from liability previously incurred pursuant to paragraph 3 of these Conditions and Stipulations.
3. Liability of the Company under this Commitment shall be only to the named proposed Insured and such parties included under the definition of Insured in the form of Policy or Policies committed for, and only for actual loss incurred in reliance hereon in undertaking in good faith (a) to comply with the requirements hereof, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by this Commitment. In no event shall such liability exceed the amount stated in Schedule A for the Policy or Policies committed for and such liability is subject to the Insuring provisions, exclusion from coverage, and the Conditions and Stipulations of the form of Policy or Policies committed for in favor of the proposed Insured which are hereby incorporated by references, and are made a part of this Commitment except as expressly modified herein.
4. Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest or the lien of the Insured mortgage covered hereby or any action asserting such claim, shall be restricted to the provisions and Conditions and Stipulations of this Commitment.

The First American Corporation
First American Title Insurance Company
National Commercial Services
PRIVACY POLICY

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values, a copy of which can be found on our website at www.firstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

© 2001 The First American Corporation - All Rights Reserved

Improvement Schedule

DESCRIPTION	Budgeted	629	5000	637	645	4565	640	1620	8830	805	TOTAL
TENANT IMPROVEMENTS ESD (Draw 1 of 3 - Total Ti: \$360,000) ESD (Draw 2 of 3 - Total Ti: \$360,000) ESD (Draw 3 of 3 - Total Ti: \$360,000)	August						\$ 120,000.00				\$ 120,000.00
	September						\$ 120,000.00				\$ 120,000.00
	October						\$ 120,000.00				\$ 120,000.00
LANDLORD WORK Floors 1-4 (Draw 1 of 3 - Total Landlord Work: \$1,351,965) Floors 1-4 (Draw 2 of 3 - Total Landlord Work: \$1,351,965) Floors 1-4 (Draw 3 of 3 - Total Landlord Work: \$1,351,965)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 360,000.00	\$ -	\$ -	\$ -	\$ 360,000.00
	July						\$ 450,654.75				\$ 450,654.75
	August						\$ 450,654.75				\$ 450,654.75
Landlord Work - Vets Landlord Work - Commissioners	September						\$ 450,654.75				\$ 450,654.75
	August						\$ 77,842.88				\$ 77,842.88
	August						\$ 153,926.07				\$ 153,926.07
Capital Maintenance (Draw 1 of 3 - Total Landlord Work: \$190,879)	August		\$ 63,626.13								\$ 63,626.13
Capital Maintenance (Draw 2 of 3 - Total Landlord Work: \$190,879)	September		\$ 63,626.13								\$ 63,626.13
Capital Maintenance (Draw 3 of 3 - Total Landlord Work: \$190,879)	October		\$ 63,626.13								\$ 63,626.13
Landlord Work - West Seattle DOL	August								\$ 50,000.00		\$ 50,000.00
TOTAL: Tenant Improvements		\$ -	\$ 190,878.38	\$ -	\$ -	\$ -	\$ 1,583,733.20	\$ -	\$ 50,000.00	\$ -	\$ 1,824,611.58
BUILDING IMPROVEMENTS											\$ -
Demo Floors 1-4 (Draw 1 of 3 - Total: \$300,000)	August	\$ 100,000.00									\$ -
Demo Floors 1-4 (Draw 2 of 3 - Total: \$300,000)	September	\$ 100,000.00									\$ 100,000.00
Demo Floors 1-4 (Draw 3 of 3 - Total: \$300,000)	October	\$ 100,000.00									\$ 100,000.00
Roof Replacement	August							\$ 165,000.00			\$ 165,000.00
Fluid Cooler Replacement (50% Down)	August	\$ 400,000.00									\$ 400,000.00
Fluid Cooler Replacement (Final)	September	\$ 400,000.00								\$ 92,500.00	\$ 400,000.00
Roof Replacement (Draw 1 of 2 - Total \$185,000)	August									\$ 92,500.00	\$ 92,500.00
Roof Replacement (Draw 2 of 2 - Total \$185,000)	September						\$ 100,650.00			\$ 92,500.00	\$ 100,650.00
Roof Replacement for 640 lower roof	October						\$ 150,000.00				\$ 150,000.00
Building Envelope Repairs from mold issue	September										\$ -
TOTAL: Building Improvements		\$ 1,100,000.00	\$ -	\$ -	\$ -	\$ -	\$ 250,650.00	\$ 165,000.00	\$ -	\$ 185,000.00	\$ 1,700,650.00
Leasing Commissions											
640 Bldg - Lease Commission-ESD							\$ 170,838.33				\$ 170,838.33
4565 Bldg - Lease Commission-DSHS/DVR						\$ 17,653.73					\$ 17,653.73
4565 Bldg - Lease Commission-Dept. Svcs Blind						\$ 9,581.91					\$ 9,581.91
		\$ -	\$ -	\$ -	\$ -	\$ 27,235.64	\$ 170,838.33	\$ -	\$ -	\$ -	\$ 198,073.97
TOTAL: Capital Costs		\$ 1,100,000.00	\$ 190,878.38	\$ -	\$ -	\$ 27,235.64	\$ 2,365,221.53	\$ 165,000.00	\$ 50,000.00	\$ 185,000.00	\$ 4,083,335.55

Receivership Letter

Date: July 21, 2016

To: David Bornheimer, Senior Vice President, Midland Loan Services as servicer for Plaintiff, Wells Fargo Bank N.A. as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1 Commercial Pass-Through Certificates, Series 2005-MCP1 Plaintiff, U.S. Bank, N.A., as Successor-Trustee to LaSalle Bank National Association, as Trustee for the benefit of the Certificate Holders of Commercial Mortgage Pass-Through Certificates, Series MCCMT 2004-C2 D
Defendant, CDC Properties I, LLC
And Interested Parties

From: Edward Velton, Receiver, JSH Properties, Inc.

Re: CDC Properties I, LLC, Cause No. 16-2-10797-4-KNT
Receiver's Monthly Report: June 2016

Procedural Background:

On May 19, 2016, pursuant to the request by Wells Fargo Bank N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1 Commercial Pass-Through Certificates, Series 2005-MCP1 ("Wells Fargo") and U.S. Bank, N.A., as Successor-Trustee to LaSalle Bank National Association as Trustee for the Benefit of the Certificate Holders of Commercial Mortgage Pass-Through Certificates, Series MCCMT 2004-C2 ("U.S. Bank" and collectively with Wells Fargo, "Plaintiffs"), this Court entered an Order Appointing Custodial Receiver (Order), under which JSH Properties, Inc. (Receiver) was appointed custodial receiver to take charge of the assets relating to the properties:

- 1620 South Pioneer Way, Moses Lake, Washington 98837
- 805 S. Mission Street, Wenatchee, Washington 98801
- 629 Woodland Square Loop SE, Lacey, Washington 98503
- 637 Woodland Square Loop SE, Lacey, Washington 98503
- 640 Woodland Square Loop SE, Lacey, Washington 98503
- 645 Woodland Square Loop SE, Lacey, Washington 98503
- 4565 7th Avenue South, Lacey, Washington 98503
- 5000 Capitol Boulevard, Tumwater, Washington 98502
- 8830 25th Avenue SW, Seattle, Washington 98106

Receivership commenced on May 19, 2016. In accordance with Paragraph 3.4.2 of Order, Receiver submits the following report for May 2016.

Receivership Property:

The Properties over which Receiver has been appointed are as follows:

- 1620 South Pioneer Way, Moses Lake, Washington 98837
Type: Office
Tenant: Vacant
Occupied: 0%
- 805 S. Mission Street, Wenatchee, Washington 98801
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Social Health Services)
Occupied: 100%
- 629 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: Vacant
Occupied: 0%
- 637 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Corrections)
Occupied: 100%
- 640 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: 1 Tenant (State of Washington, Employment Security Department)
Occupied: 96.6%
- 645 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Licensing)
Occupied: 100%
- 4565 7th Avenue South, Lacey, Washington 98503
Type: Office
Tenant: 3 Tenant (State of Washington, Gambling Commission, Department of Social Health Services, and Department of Services for the Blind)
Occupied: 87.6%
- 5000 Capitol Boulevard, Tumwater, Washington 98502
Type: Office
Tenant: 1 Tenant (State of Washington, Office of the Insurance Commissioner)
Occupied: 100%
- 8830 25th Avenue SW, Seattle, Washington 98106
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Licensing)
Occupied: 100%

Status of Receivership:

1. Bond: Upon appointment Pursuant to Paragraph 3.2 of Order, Receiver posted a bond with Farmers Insurance Group in the amount of \$10,000, Bond No. #LSM0785717, issued by RLI Insurance Company.
2. Bank Account: Pursuant to Paragraph 3.4.1 of Order, Receiver established a bank account, at Umpqua Bank, Bellevue, WA branch (#XXXXXX4077). As of June 30, 2016, the bank account balance was \$414,079.33.

<u>JUNE 2016</u>	Debit	Credit	TOTAL
Deposits:			
- Deposit from Tenants	\$ 367,873.31		
- Owner Contribution	\$ -		
TOTAL Deposits	\$ 367,873.31		<u>\$ 367,873.31</u>
Withdrawals:			
- Receiver Fee		\$ 5,400.00	
- Operating Expenses		\$ 120,596.99	
- Utilities		\$ 44,430.64	
- Other Expenses		\$ -	
- Gen & Admin		\$ 1,804.04	
TOTAL Withdrawals		\$ 172,231.67	<u>\$ 172,231.67</u>
NET INCOME			<u>\$ 195,641.64</u>
ADJUSTMENTS			
- Tenant Improvements		\$ 706.26	
- Owner Contributions	\$ 214,340.14		
TOTAL Adjustments			<u>\$ 213,633.88</u>
MONTHLY CASH FLOW	JUNE 2016		<u>\$ 409,275.52</u>
BEGINNING CASH BALANCE			\$ 4,803.81
ENDING CASH BALANCE			\$ 414,079.33

3. Receiver's Counsel: Pursuant to Paragraph 3.3.5 of Order, Receiver hired counsel to assist Receiver in this matter. Receiver's counsel is Charles E. Shigley of Alston Courtneage and Bassetti LLP, located at 1420 – 5th Avenue, Suite 3650, Seattle, WA 98101.
4. Appointment of Jennifer Bell as Property Manager: To assist Receiver, Jennifer Bell has been appointed as the senior property manager (PM) for the portfolio. Jennifer has over twenty years of experience in commercial property management.

5. Operations and Maintenance

Site inspections of properties revealed numerous deferred maintenance items. The comprehensive list of deferred maintenance items are in the 2016 operating budget that was submitted on July 6, 2016.

The following maintenance items have been scheduled in June and are anticipated to be completed and paid for in the month of July.

○ **1620 Pioneer Way, Moses Lake, Washington 98837**

- Locks & Security – Rekeyed all building exterior doors that contained key ways.
- HVAC R&M – Miscellaneous repairs to Unit 9, 18 15, 17, 10, 11 & 19. Repairs to include new compressor, fan motor, refrigerant and belts. Performed preventative maintenance on all of the rooftop HVAC units.
- Electrical R&M – Removed abandoned low voltage cabling. Repaired some of the electrical due to it not meeting code and potentially being a fire hazard. Removed power poles and associated low voltage cabling and changed all burnt out lamps and non-functioning ballasts.
- Fire Safety R&M – Replaced the fire alarm control panel, installed a new alarm panel and installed a new annunciator panel. Tested and tagged all past due fire extinguishers. Performed a fire alarm panel test.
- Landscape R&M – Prepared seed bed and re-seeded the turf with blue grass and perennial rye. Thatched and aerated the turf. Hauled and removed trash containers, concrete table/benches. Removed seven (7) dead plum trees, pruned shrubs, weeded/barked beds and activated the irrigation system.

○ **805 S. Mission Street, Wenatchee, Washington 98801**

- Landscape Maintenance – Initial cleanup of property (weed, prune, trim and remove debris).
- HVAC R&M – Reset all Carrier economizers and mechanical cooling and ensure that all damper motors are functioning. Purchased HVAC supplies (filters, evaporator coil and v-belt). Changed filters, belts and cleaned the coils on the rooftop HVAC equipment.
- Fire Safety R&M – Replaced fire alarm control panel, pull stations, smoke detectors and horn strobes. Conducted the annual fire alarm panel test, wet pipe fire sprinkler test and backflow assembly test.

○ **629 Woodland Square Loop SE, Lacey, Washington 98503**

- Landscape Maintenance – Clean-up in West parking lot (prune trees/shrubs, remove selected shrubs, spray vegetation, rake/dispose leaves in planting bed and blow parking lot). Installed 20 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
- Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-striped the parking lot.
- Fire Safety R&M – Annual wet sprinkler test.
- Roof Maintenance – Includes painting of rusted sheet metal flashings and painting of rusted gas line.
- Elevator – Commenced Labor of Industries code work to remove the red tag.

- **637 Woodland Square Loop SE, Lacey, Washington 98503**
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-stripped the parking lot.
 - Fire Safety R&M – Annual wet sprinkler and backflow assembly test.
 - Landscape Maintenance – Pruned old ivy growth, installed 15 yards of bark, irrigation start up and sprinkler head repairs for the turf area and beds around the building.
 - Roof Maintenance – Installed missing rise block protection pads.

- **640 Woodland Square Loop SE, Lacey, Washington 98503 (640/4565 have a shared HVAC plant)**
 - HVAC – Replaced sheaves and belts for both fan motors on Fluid Cooler #1 and Fluid Cooler #2; Cleaning of Fluid Cooler #1 and Fluid Cooler #2; Installed additional seismic bracing on the condenser water piping; Repairs to HVAC Unit #1-#7 (1st Floor)
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-stripped the parking lot.
 - Fire Safety R&M – Annual wet sprinkler and backflow assembly test.
 - Landscape Maintenance – Pruned old ivy growth, installed 50 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
 - Consulting Services – OAC has been contracted to investigate the source of water intrusion and provide a report with their findings. Coordination with PBS Engineering & Environmental will take place for the remediation and permanent fix.
 - Consulting Services – PBS Engineering & Environmental has been contracted to assess conditions fungal abatement spec.

- **645 Woodland Square Loop SE, Lacey, Washington 98503**
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-stripped the parking lot.
 - Landscape Maintenance – Installed 10 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
 - Roof Maintenance – Painted existing gas line and install block pads under gas/electrical conduit to provide membrane protection.

- **4565 7th Avenue SE, Lacey, Washington 98503 (640/4565 have a shared HVAC plant)**
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-stripped the parking lot.
 - Landscape Maintenance – Pruned old ivy growth, installed 55 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
 - Fire Safety R&M – Annual fire extinguisher and backflow assembly test.
 - Roof Maintenance – Applied sealant to storm collar and top of pipe; reseal and paint duct work.

- **5000 Capitol Boulevard, Tumwater, Washington 98502**
 - Roof Maintenance – Installed block pad and painted rusted gas line on the roof.
 - Fire Safety R&M – Performed annual wet sprinkler, backflow assembly and fire extinguisher test.
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-striped the parking lot.
 - HVAC R&M – HVAC compressor was replaced for one of the rooftop units.
- **8830 25th Avenue SW, Seattle, Washington 98106**
 - Fire Safety R&M – Performed annual fire extinguisher test.

6. Site Visits:

Property management site visits to the properties are as follows:

- 8830 25th Avenue SW, Seattle, WA – June 15th
- 805 S. Mission Street, Wenatchee, WA – June 13th
- 1620 S. Pioneer Way, Moses Lake, WA – June 14th
- Lacey and Tumwater Properties – June 2nd, 6th, 10th, 16th, 20th and 24th

7. Management of Property:

Pursuant to Paragraph 3.3.4 of Order, on June 3, 2016, Receiver/PM submitted a 30-day draft budget to Midland Loan Services, a PNC Real Estate business. A draft budget for July 2016 through December 2016 was submitted to Midland Services on July 6th.

8. Marketing/Leasing of Property:

Pursuant to Paragraph 3.4.4 of Order, Receiver is authorized to market the Property to obtain new tenants for current vacant space(s) and discuss renewal options.

- **1620 S Pioneer Way, Moses Lake, Washington 98837**
Vacant – We have initiated discussions with the Moses Lake school district who is interested in leasing the building as an early learning center.
- **629 Woodland Square Loop SE, Lacey, Washington 98503**
Vacant – Working to bring the building to a leasable condition before offering to tenants.
- **640 Woodland Square Loop SE, Lacey, Washington 98503**
Employment Security Department – Lease has been renewed as follows:
Term: 5 Years (07/01/2016 – 06/30/2021)
RSF: 70,449
Rent: \$113,892.55 per month ⁽¹⁾

⁽¹⁾ The Lessee shall not be required to pay the rental rate increase referenced in Paragraph 4 above until all of the work requested by Lessee in Additional Lease Provision paragraph 19 has been completed by Lessor. Until all such work is completed and approved by Lessee, the rate of \$113,360.17 per month, as required under SRL 11-0037 shall continue in effect.

- **645 Woodland Square Loop SE, Lacey, Washington 98503**
Department of Licensing - Tenant has requested parking lot repairs. Tenant wants to discuss a five (5) year extension. Additional deferred maintenance remediation will be required. Tenant is developing a scope of work.

- **4565 7th Avenue South, Lacey, Washington 98503**
Gambling Commission – Tenant is relocating to a nearby building. They want a larger 1st floor space for their gambling lab. Tenant has requested a six-month extension while their new space is completed.
DSHS-DVAR – Tenant is proposing six months free rent. Landlord to remedy deferred maintenance. We expect to focus on this extension later this week.
Department of Services of the Blind – Tenant is requesting a five (5) year extension. Tenant hasn't made a proposal other than requiring Landlord to remedy deferred maintenance. This extension will become a priority this week after we complete the Insurance Commissioner and EDS leases.

- **5000 Capitol Boulevard, Tumwater, Washington 98502**
Office of the Insurance Commissioner – Lease is negotiated and work is priced. Lease renewal is with Lender for approval.

- **8830 25th Avenue SW, Seattle, Washington 98106**
Department of Licensing – Landlord is working on completing the Deferred Maintenance List that is attached to the last lease renewal that was signed in March 2016.

Dated this 21st, day of July, 2016



By:

Edward Velton
Receiver

Encl: As stated

Appraisers' Experience Data



David M. Chudzik, Ph.D., MAI

Vice President

Valuation Advisory Services

CAREER SUMMARY

Since joining Kidder Mathews' Valuation Advisory Services in October of 2004, David has provided valuation and consultation services for a wide variety of commercial property types including office, industrial, retail, multi-family, hospitality, marina and development properties. His experience includes complex properties like biotechnology research facilities, data centers, sawmills, shipyards, and other specialized property types. He has performed biotechnology valuation and market analysis on a national basis and authored the National Biotechnology Real Estate Market Analysis for GVA Worldwide. Assignments have included valuation of leasehold interests, air rights, condemnation compensation, conservation easements as well as market rent studies.

David's professional experience includes venture capital investing with emphasis in the life sciences industry. He has also worked as a development analyst and project manager at Seattle area real estate development companies. His development experience includes multi-family residential, commercial office, and marina developments.

David brings unique qualifications to real estate valuation and consulting making him well-qualified in the analysis of some of the most complex and sophisticated real estate.

601 Union St, Suite 4720
Seattle, WA 98101

T 206.205.0222

F 206.205.0220

dchudzik@kiddermathews.com

EDUCATION

- Doctor of Philosophy, Biochemistry, University of Washington
- Master of Business Administration, Management, University of Washington
- Bachelor of Science, Biochemistry, University of Washington
- Bachelor of Arts, Spanish, University of Washington

PROFESSIONAL LICENSES

- Washington Certified General Real Estate Appraiser (No. 1102099)
- Oregon Certified General Real Estate Appraiser (No. C00182)

AFFILIATION

Member of Appraisal Institute (MAI)

David Chudzik, Ph.D., MAI continued

PARTIAL CLIENT LIST

Allstate Life Insurance Co.	KeyBank	Puget Sound Bank
Alexandria Real Estate Equities	King County	Puget Western
Archdiocese of Seattle	Low Income Housing Institute	San Juan County Land Bank
Bank of America	Memorial Medical Center	Schnitzer West
BECU	Merrill Lynch	Seattle BioMed
Bloch Properties	Morgan Stanley	Seattle Monorail Project
Citibank	Morton McGoldrick, PS	Server Farm Realty
City of Seattle	Moss Adams	Stockbridge Capital Group
City of Renton	National Real Estate Advisors	Todd Shipyards
Davis Wright Tremaine	Nexus Properties	Unico Properties
East West Bank	Northwest Diabetes Research Center	Union Bank
First Sound Bank	Northwest Kidney Center	University of Washington
First Mutual Bank	Novartis	US Bancorp
GE Capital	Olympus Real Estate Partners	Vulcan Real Estate
H5 Capital	Overlake Medical Center	Washington Federal
Heritage Bank	Perkins Coie	Washington Trust Bank
Jefferson County	Port of Port Townsend	Wells Fargo
JPMorgan Chase Bank	Portland State University	

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION



THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER

DAVID MATTHEW CHUDZIK
7047 51ST AVENUE NE
SEATTLE WA 98115

1102099

License Number

03/17/2011

Issued Date

11/02/2018

Expiration Date

Pat Kohler
Pat Kohler, Director



Crosby Nordblom
Associate Appraiser
Valuation Advisory Services

CAREER SUMMARY

Crosby Nordblom is an associate appraiser that joined the Valuation Services division of Kidder Mathews in November of 2015.

Prior to joining Kidder Mathews, Crosby worked for CBRE Group, Inc. in Seattle where he started off in commercial property management.

601 Union St, Suite 4720
Seattle, WA 98101
T 206.205.0209
F 206.205.0220
crosbyn@kiddermathews.com
.....

EDUCATION

Bachelor of Arts, Economics, Colorado College

STATE CERTIFICATION

Crosby is a registered real estate appraiser trainee in Washington State (License No. 1001854).

APPRAISAL COURSEWORK

- Uniform Standards of Professional Appraisal Practice, Appraisal Institute – 2015
- Basic Appraisal Principals, Appraisal Institute – 2015
- Basic Appraisal Procedures, Appraisal Institute – 2015
- Supervisor-Trainee Course for Washington, McKissock – 2015

PROFESSIONAL AFFILIATIONS

- Practicing Affiliate of the Appraisal Institute, Member No. 593374

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT TRE PERSON NAMED HEREON IS AUTHORIZED, AS PROVIDED BY LAW, AS A



STATE REGISTERED REAL ESTATE APPRAISER TRAINEE

CROSBY VAN CURAN NORDBLOM
503 N BOWDOIN PLACE
SEATTLE WA 98103

Cert/Lic No.
1001854

Issued Date
12/23/2015

Expiration Date
02/28/2017


Pat Kohler, Director

Exhibit F

Appraisal Report

4565 7th Ave. SE Building | Lacey, WA

as of January 1, 2017



Prepared for

Seahawk Portfolio, LLC, Mariners
Portfolio, LLC, WA Portfolio, LLC, and
Olympia Office, LLC

Scott Switzer

Prepared by

David Chudzik, Ph.D., MAI

Crosby Nordblom

KM Job A16-0972

Kidder Mathews

Valuation Advisory Services

601 Union Street, Suite 4720
Seattle, WA 98101

206.205.0200 | Fax 206.205.0220
dchudzik@kiddermathews.com
kiddermathews.com

November 8, 2016

Mr. Scott Switzer
Seahawk Portfolio, LLC, Mariners Portfolio, LLC, WA Portfolio, LLC, and Olympia Office, LLC
10900 4th Ave., Suite 2300
Bellevue, WA 98004

Re: 4565 7th Ave SE
Lacey, WA 98168

Dear Mr. Switzer:

At your request, we have prepared an appraisal of the above-referenced property, which is fully described in the attached appraisal report. As requested, we have estimated the market value of the subject, with an effective appraisal date of January 1st, 2017. This value is based on the extraordinary assumption that all remaining property capital expenses will be completed and paid in full by the end of 2016, as indicated by the receiver. We have inspected the subject property and obtained data regarding other similar real estate in the area.

This report has been prepared in conformance with the current Uniform Standards of Professional Appraisal Practice (USPAP). In addition, our services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA). This report is intended for purposes related to negotiating and restructuring mortgage loans related to the subject, to be used by the client (Seahawks Portfolio LLC, Mariners Portfolio LLC, WA Portfolio LLC, and Olympia Office LLC).

As a result of our investigation and analysis, we have concluded that the market value of the leased fee interest in the subject real estate, subject to the limiting conditions and assumptions contained herein, is:

Prospective Market Value, Leased Fee, as of January 1, 2017 **\$7,300,000**

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'David Chudzik'.

David Chudzik, Ph.D., MAI
State-certified General Real Estate
Appraiser #1102099

A handwritten signature in blue ink, appearing to read 'Crosby Nordblom'.

Crosby Nordblom
State-Registered Real Estate Trainee
Appraiser #1001854

DC-CN/em

Certification

We certify that, to the best of our knowledge and belief:

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 3) We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- 4) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 7) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 8) We have made a personal inspection of the property that is the subject of this report.
- 9) We have not provided professional appraisal or consulting services concerning the subject property within the past three years.
- 10) No one provided significant real property appraisal assistance to the persons signing this certification.
- 11) The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and conforms with the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA).
- 12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 13) As of the date of this report, David Chudzik, Ph.D., MAI, has completed the continuing education program for Designated Members of the Appraisal Institute, and Crosby Nordblom, Practicing Affiliate, has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Practicing Affiliates.



David Chudzik, Ph.D., MAI
State-certified General Real Estate
Appraiser #1102099



Crosby Nordblom
State-Registered Real Estate Trainee
Appraiser #1001854

Limiting Conditions

Limiting conditions specific to this appraisal are:

- 1) Physical dimensions for the property were taken from public records or from information provided, and the appraisers assume no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
- 2) We are assuming that there are no hidden or unapparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
- 3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
- 4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 5) The appraisers are not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.
- 6) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately in conjunction with any other appraisal.
- 7) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed, and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the appraisers. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraisers.

Table of Contents

Certification ii

Limiting Conditions iii

Summary of Appraisal 1

Market Overview 13

 REGIONAL DATA 15

Office Market Overview 24

Property Description 29

Highest & Best Use 34

Sales Comparison Approach 36

Income Capitalization Approach 43

Reconciliation & Final Value Opinion 57

ADDENDUM

 Engagement Letter

 Title Report

 Improvement Schedule

 Receivership Letter

 Floor Plans

 Appraisers' Experience Data

Summary of Appraisal

Summary of Appraisal

Identity of Property 4565 7th Ave SE
Lacey, WA 98168

Property Description The subject is a four-story office building located in Lacey's Woodland District, which is a substantial pocket of office uses focused on government tenancies. It has good access and receives average exposure, as it has no frontage along local arterials. The 2001, reinforced-concrete structure contains 65,760 sq ft of rentable area per the floor plans provided.

The Gambling Commission intends to vacate approximately two-thirds of the building by the end of 2016. Per the receivership broker, DSHS and the Dept. of Services for the Blind have agreed to extend their leases for 5-years at \$16/sq ft with 3 months of free rent and \$2 to \$3/sq ft in TI allowances. This leaves the 3rd and 4th floors, as well as a portion of the 2nd floor vacant. The building is in good condition and of a functional layout, but approximately 73% vacant.

The subject includes three parcels, all zoned Woodland District by the City of Lacey. Parking is slightly below average at a ratio of 2.78 stalls per 1,000 sq ft of rentable area.

ADDRESS 4565 7th Ave SE
Lacey, WA 98168

**ASSESSOR'S TAX
PARCEL NUMBER** 84990003100, -3200, -3300

LEGAL DESCRIPTION The legal description of the subject property is as follows:

*LOTS 31 THROUGH 33 OF WOODLAND SQUARE, AS PER
PLAT RECORDED IN VOLUME 20 OF PLATS, PAGES 103 AND
104, RECORDS OF THURSTON COUNTY, WASHINGTON.*

Ownership History Per public records, the property is collectively owned by a group of LLCs – Seahawk Portfolio, LLC (30%), Mariners Portfolio, LLC (10%), WA Portfolio, LLC (30%), and (30%) Olympia Office, LLC. Title was transferred to these entities through a quitclaim deed on September 23rd, 2016 from CDC Properties I, LLC for a recorded amount of \$0. This is not considered to be a true real estate sale.

On March 9th, 2016, the process to foreclose on the subject was started and a notice of trustee's sale was issued on July 5th, 2016. It was to sell at public auction on October 21st, 2016, but the new owner entity has postponed this process with a stay of foreclosure.

There have been no other sales or listings of the property in the past five years that were reported by the current owners or noted in public records.

**Property Rights
Appraised**

This is an appraisal of the leased fee estate. The definition of "leased fee estate" is as follows:

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Source: The Dictionary of Real Estate Appraisal, Sixth Edition. Chicago: Appraisal Institute, 2015.

Purpose of Appraisal

The purpose of this appraisal is to estimate the market value of the subject property. The term "Market Value" is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to the buyer under conditions whereby:

- a. the buyer and seller are typically motivated;*
- b. both parties are well informed or well advised, and acting in what they consider their own best interests;*
- c. a reasonable time is allowed for exposure in the open market;*
- d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [g].

Scope of Work

The subject property is appraised based on the following scope of work.

- The subject includes 102,715 sq ft of land. It is improved with a four-story, office structure originally built in 2001. An inspection of the property was completed on October 14, 2016.
- This appraisal utilizes the extraordinary assumption that the remaining capital expenses will be completed and paid in full by the end of 2016, as indicated by the receiver. The effective appraisal date of this report is January 1, 2017.
- This report also assumes that DSHS and the Dept. of Services for the Blind will be signing renewals, as indicated by the receivership broker. Given the impending nature of these leases, this report assumes renewal start dates of December 1, 2016.
- The building was recently re-measured according to BOMA standards and rentable area has been adjusted slightly downward to 65,760 sq ft. Updated areas for individual tenant suites were not provided, so suites areas are based on floor occupancy percentages indicated within the receivership's rent roll.
- In this report, the Sales Comparison and Income Capitalization Approaches are used. The Cost Approach is not employed as typical market buyers and sellers would not use this approach in valuing buildings like the subject.
- The research of data included both general and specific data. Sources of general data that are included in the market trends and neighborhood description were obtained from various private and governmental sources.
- Specific data concerning the subject was obtained from various sources including the owner (leases, income statements, environmental reports, title report, and rent roll) and the Thurston County Assessor (zoning, assessed values and real estate taxes).
- Data compiled in the analysis of the building sales was obtained from CoStar, CBA (Commercial Broker Association), as well as Kidder Mathews' own in-house data files. Rental data was obtained from leasing agents, public records, and in-house data files on competing properties.

- All of the sales and rental data were confirmed with a party involved in the transaction and/or through public records.
- The reconciliation and final value opinion(s) is based on an overview of which approach or approaches we believe are the best indicators of value for the subject.

Intended Use/User(s) This report is to be used by the client (Seahawk Portfolio, LLC, Mariners Portfolio, LLC, WA Portfolio, LLC, and Olympia Office, LLC) with regards to purposes related to negotiating and restructuring mortgage loans related to the subject.

Approaches to Value & Final Value Prospective Market Value, Leased Fee, as of January 1, 2017

Conclusion	Sales Comparison Approach	\$7,400,000
	Income Capitalization Approach	\$7,300,000
	Value Conclusion	\$7,300,000

Extraordinary Assumptions This report utilizes the following extraordinary assumptions:

- All remaining property capital expenses will be completed and paid in full by the end of 2016, as indicated by the receiver. These include \$27,235.64 in estimated lease commissions. It is also assumed that no significant market changes will take place between today and the effective date of value.
- The month-to-month tenants, DSHS and the Dept. of Services, will execute their renewals, as indicated by the receivership broker. It is reported that they have agreed to extend their leases for 5-years at \$16/sq ft with 3 months of free rent and \$2 to \$3/sq ft in TI allowances. Given the impending nature of these leases, this report assumes renewal start dates of December 1, 2016.
- The subject shares an HVAC plant with the adjacent office building at 640 Woodland Sq. Loop SE. These are both currently under the same ownership. It is assumed that a mutual agreement is in place for the shared operation and maintenance of the facility.

Hypothetical Conditions None

Date of Report	November 8, 2016
Date of Last Inspection	October 14, 2016
Effective Date of Appraisal	January 1, 2017
Marketing Time	12 to 18 Months
Exposure Time	12 to 18 Months



Aerial Map

Subject Photographs

View of subject from the west
looking along 7th Ave. SE



View of subject's western face
along Huntamer Park



View of subject from the east
along 7th Ave. SE



Subject Photographs

View of subject from parking lot



View of DSHS office on 1st floor



View of 1st floor lobby, providing access to DSHS suite and subject's two elevator bays



Subject Photographs

View of third floor lobby,
Gambling Commission is
vacating building by the end of
2016



View of Gambling Commission
private office



View of Gambling Commission
open office space



Subject Photographs

View of Gambling Commission
hallway



View of Gambling Commission
conference room

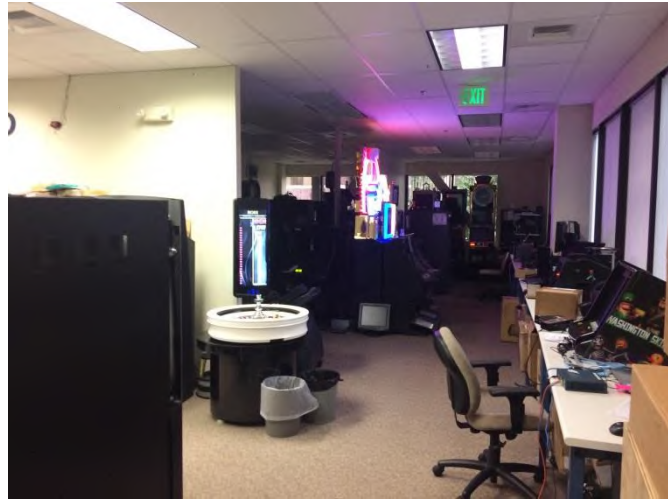


View of Gambling Commission
staff/lunch room



Subject Photographs

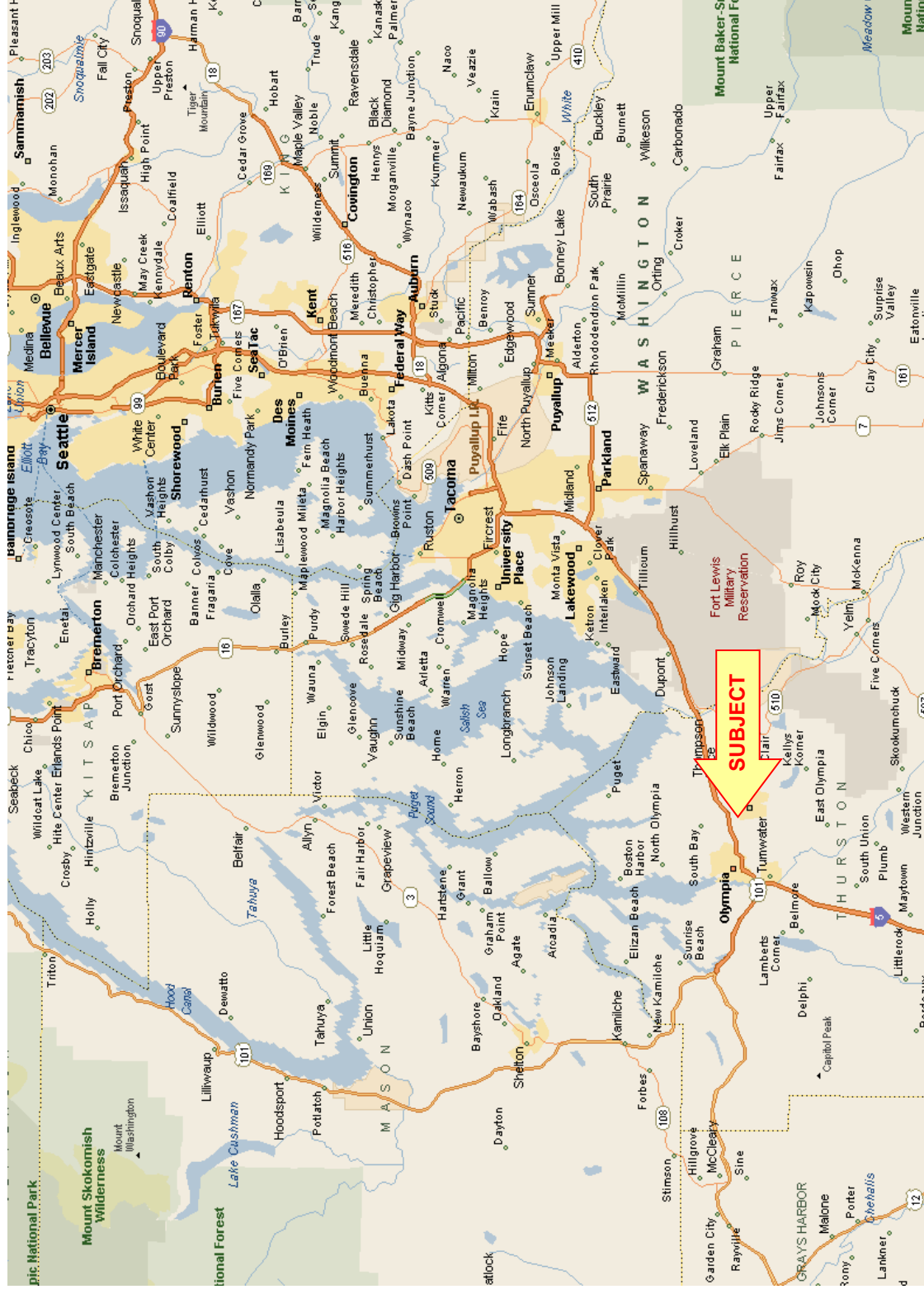
View of Gambling
Commission's 2nd floor testing
area



View of 2nd floor vacancy



Market Overview



Regional Map

Regional Overview

Introduction

The subject is located in Thurston County, which is part of the four county Puget Sound MSA. The core of the market is comprised of King, Snohomish and Pierce counties. Thurston is at the south end and Kitsap is on the northwest side.

National Overview

The national recovery has now lasted four years with job growth continuing with only minor pauses during the past two quarters. The gain outside of base wage jobs that started in 2015 has slowed but is still trending upward. 2015 ended with 2.53 million new jobs, an increase of 2.1%. This follows 2.26 million in 2014 and 2.25 million in 2013. The forecast for 2016 is a further increase by 1.8%. If the 2016 projection is on track, the unemployment rate will drop below 5.0%. Unemployment was 5.0% in March 2016, 50 basis points (bps) down from March 2015.

The GDP growth rate for 2015 was 2.4%, the same as 2014, and down slightly from 3.13% in 2013. The forecast for 2016 is GDP growth of 2.1% and 2017 bouncing back up to 2.4%.

Inflation remains under control, at 0.1% in 2015 following 1.6% in 2014 and 1.3% in 2013. The forecast has been revised to 1.3% for 2016 then increasing to 2.3% in 2017. Modest GDP and inflation has prevented the Federal Reserve from significantly increasing interest rates.

Regional and National Economic Indicators

forecast

Annual Change	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Puget Sound Region											
Employment	0.9%	-4.9%	-1.7%	1.6%	2.3%	2.8%	2.8%	2.9%	1.8%	1.6%	1.2%
Personal Income	3.1%	1.6%	2.5%	6.1%	4.9%	2.6%	6.2%	5.3%	4.3%	5.2%	4.9%
Consumer Price Index	4.3%	0.6%	0.3%	2.6%	2.5%	1.3%	1.8%	1.4%	1.4%	2.4%	2.4%
Housing Permits	-43.0%	-50.1%	31.5%	11.9%	51.8%	8.9%	16.9%	19.8%	-19.3%	2.2%	4.7%
Population	1.4%	1.5%	1.0%	1.0%	1.3%	1.4%	1.4%	1.3%	1.3%	1.2%	1.0%
United States											
Employment	-0.6%	-4.4%	-0.7%	1.2%	1.7%	1.7%	1.9%	2.1%	1.8%	1.4%	1.1%
Personal Income	2.9%	-1.7%	3.7%	5.1%	4.2%	2.0%	4.4%	4.5%	4.4%	4.7%	4.8%
Consumer Price Index	3.8%	-0.3%	1.6%	3.2%	2.1%	1.5%	1.6%	0.1%	1.3%	2.3%	2.4%
Housing Starts	-32.9%	-38.4%	5.6%	4.5%	28.0%	18.7%	7.8%	10.6%	12.9%	9.6%	7.3%

Source: The Puget Sound Economic Forecaster, March 2016

Income and sales tax revenues continue a path of sporadic increases, providing limited economic lift. Home sales continue to be strong, although new homes were restricted somewhat by low inventory in the 1st

quarter. Prices continue to move up, especially in the top markets. Consumer confidence increased to 93.1 in November 2015 as measured by the Thomas Reuters/University of Michigan Index of Consumer Sentiment. This was up from 88.8 a year previously and from 90.3 in October. The positive outlook remains stratified with working wage household sentiment more pessimistic. Perhaps anticipating slower long-term growth, the Measure of CEO Confidence continued its slow downward trend, hitting 48 as of the 3rd quarter report, down from 57 in the 1st quarter 2015. On the positive side, help wanted online listings increased by 172,300 in October, continuing an upward trend that started earlier in 2015.

Regional Overview

The Puget Sound region is one of the best performing areas of the nation. Employment growth was 65% higher than the national average in 2013, 47% in 2014 and 38% in 2015. Since the depth of the recession in early 2010, the region has added nearly 400,000 new jobs. A positive trend over the past year was an expansion of the job growth out from the core companies, specifically Amazon and other tech firms. The growth has also been strong in the lower wage categories, even with the recent increases in the State and Seattle minimum wages. The retail category has done well as retail sales have improved for 12 quarters year over year. Employment growth was 2.8% in 2014 and 2.9% in 2015 and 4.2% for the 12 months ending in September 2016.

With the strong employment growth and geographic constraints, the region is in demand for national and international investors. Apartments remain at a plateau at the peak of the cycle as prices continue to increase even as a large number of new units were delivered to the market and rent growth has started to moderate. Most of the office based employment growth has occurred in the Seattle and Bellevue CBDs in King County, and these two markets have seen the bulk of new development. Industrial real estate has strong occupancy and high prices with institutions looking for traditional warehouse product and owner users dominating close in Seattle markets. The retail market is strong in core trade areas. Daily needs retail—food and drugs—is the strongest sector. New home inventories are low and infill construction is active.

Population

During the past 40 years, the population of Washington has grown by an average of approximately 20% per decade, according to the Puget Sound Regional Council (PSRC). The five counties that comprise the Central Puget Sound Region and account for 59% of Washington's 2015 population (7,061,410) experienced a population increase of 13.7% during the previous decade. The region's growth rate was 1.3% in 2015,

following 2014 at 1.4%, with in-migration fueled by job growth. Preliminary estimates for 2016 are for 1.3% growth.

Employment

Regional employment is at an all-time high, well above the previous high in 2009. The recovery began in 2011. Year over year employment growth was a robust 4.2%, ranging from mild growth of 1.5% in Kitsap to 4.8% in King and Snohomish.

Non-Farm Employment

County	SEPTEMBER 2015		SEPTEMBER 2016	
	Jobs	Unemployment	Jobs	Unemployment
King	1,123,838	4.6%	1,177,410	4.0%
Snohomish	382,221	4.9%	400,553	4.3%
Pierce	366,110	5.8%	378,562	6.0%
Thurston	117,443	5.4%	120,042	5.7%
Kitsap	108,117	5.0%	109,741	5.7%

Source: Washington State Employment Security Department

In the individual projections, King and Snohomish showed the fastest recovery. Pierce and Thurston have taken more time with the cut back of government jobs kicking the rate back up in 2012.



Source: Washington State Employment Security Department

The unemployment rate is expected to continue to decline, moderated slightly by the return to the labor force of those persons uncoun-
(unemployed but not actively seeking employment) and under-employed, both of whom are not reflected in the current calculation.

Amazon has been the biggest single contributor to employment growth. The company's employment in the state is about 24,000, almost all in Seattle. Amazon shows no signs of slowing anytime soon. The company's confidence in that was underlined by the construction on the first two of three 1.1 million sq ft office buildings for its own use, in addition to announcing leases for 1.3 million sq ft in other Seattle projects. Microsoft had more local employees at 43,618 at the end of 2015 but the growth rate is much lower. Significant expansions are being made by Facebook, Tableau, Zillow, and Google.

The region's largest employer remains Boeing with a total of 77,671 employees in Washington, almost all of those in King, Snohomish, and Pierce counties. However, Boeing continues to reduce jobs, dropping 2,528 between January 2015 and March 2016. Boeing employment was 6.3% of the region in 1997 and this has declined to 3.9% in 2016. There is less hope of a future increase as Boeing has diversified in other states.

Economic Indicators

The finance, insurance, and real estate (FIRE) and construction sectors have recovered as commercial and residential construction continues to expand. Manufacturing losses were led by those Boeing jobs, with a myriad of smaller companies cutting back by smaller amounts. Many of those Boeing jobs have now been lost. Retail job gains follow the increases in retail sales volume. Sales growth continues its fifth year of increases with a robust gain in 2015, the strongest rate in 12 years.

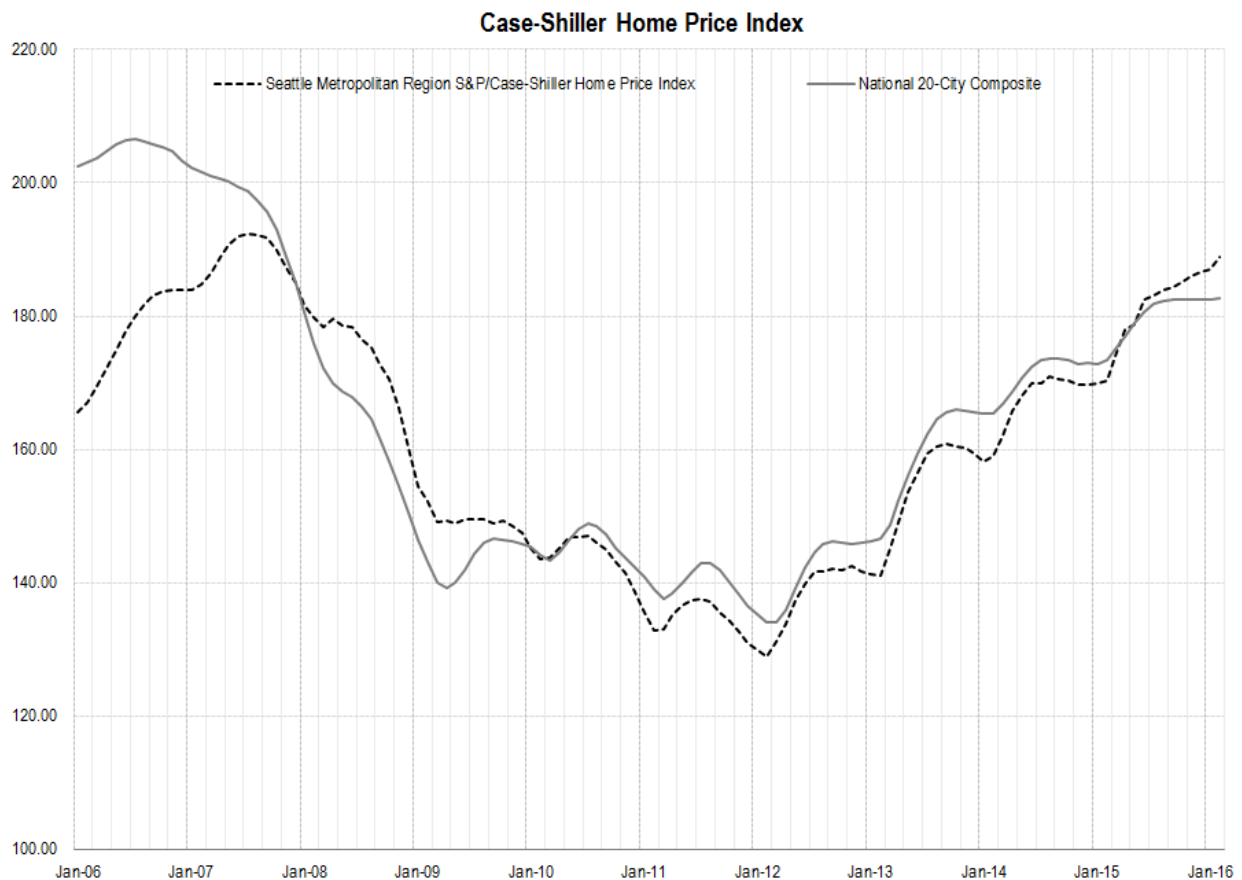
Washington State Retail Sales (\$,000)

	2015	2014	2013	2012	2011	2010
4Q	35,979,968	33,372,252	31,172,889	29,435,885	2,7890,822	26,780,864
3Q	35,837,473	33,249,625	28,788,875	28,766,782	27,293,863	26,469,373
2Q	33,856,679	30,973,320	28,998,096	26,803,035	25,613,078	24,895,067
1Q	29,689,766	27,248,916	25,985,522	24,028,170	22,943,062	22,629,812
Total	135,363,886	124,844,113	114,945,382	109,033,872	103,740,825	100,777,126
Change	9.1%	8.6%	5.4%	5.1%	2.9%	-0.1%

Personal income increased an average of 4.2% between 2010 and 2014, spiking at 6.5% in 2014. The forecast is 5.3% in 2016 and 4.3% in 2017. These gains are amplified by low inflation, which averaged 1.9% over the past five years. The CPI increase for 2015 was 1.4%, expected to increase to 2.4% in 2016 and 2017.

Regional Housing Market

The housing market has shown varying levels of recovery, based on location and price point. Sales started to recover in 2012 with a 20% increase in King and Snohomish Counties. Pierce County remained soft, increasing only 3.5%, reflecting a lack of job growth. Values also first started to recover in 2012. These trends continued through 2015. King County sales increased by 10.8% in 2015, with new home sales up 9.2%. Snohomish was up 0.8% and Pierce showed pent up demand with sales up 2.8% after increasing 22% in 2013. Sales volume increased 18.4% in Snohomish in 2015 (27.0% in new construction) and 16.7% (3.6% new) in Pierce. Median prices were up 8.1% in King, 8.9% in Snohomish, and 8.7% in Pierce in 2015.



Standard & Poor's Case-Shiller Index improved for each month since May 2012 except for some minor seasonal dips in the 3rd quarters of 2013–2015. Improvement was 12.2% in 2013, 6.5% in 2014, and 9.9% in 2015, and continued up through the first two months of 2016. Prices are now only 1.8% from the peak prior to the recession (better than the national prices still down 11.5%). Improvement has been stronger in Seattle's

close-in neighborhoods and on the Eastside around Bellevue. In those markets, inventory levels are very low, creating over-bids in popular neighborhoods. Housing-permit activity increased by 16.9% in 2014 and 19.8% in 2015. That is forecast to reverse with a 19.3% decrease in 2016 as builders keep inventories low and close-in sites are rare. Permits are then expected to increase at moderate 2.2% to 4.7% rates in 2017/2018.

Commercial Real Estate Markets

The region ranks in the top five national investment markets. Class A core apartments, office, retail, and industrial properties are all still on the institutional buyers' list with strong demand and pricing. Apartments have been at the top of the cycle for several quarters now. The other categories are still ascending. Vacancy rates in the region are as follows:

Regional Vacancy Rates - 3Q 2016

Segment	Seattle	King	Pierce	Snohomish	Kitsap	Thurston
Office	6.9%	7.2%	7.1%	6.4%	7.2%	6.7%
Industrial	1.9%	2.7%	5.4%	3.9%	1.4%	2.5%
Apartment	4.0%	3.7%	2.8%	4.0%	2.3%	2.6%
Retail	2.0%	3.1%	4.9%	4.3%	6.8%	4.4%

Source: CoStar, Dupre+Scott (apartment)

Even though rent growth in the apartment market has started to moderate, prices continue to increase as cap rates remain very low, tied to low interest rates and the low perceived risk. This will be tested as new construction deliveries peak in 2016/2017 in both the apartment and office categories. The apartment market continues to expand with nearly 19,000 units under construction in the region. The bulk of those are in larger projects in the area around the Seattle CBD, but development has begun to increase in the suburban markets as well.

The office market has seen most demand in the core markets like Seattle and Bellevue CBDs. Amazon is building for itself and remains one of the top lessees as well. Developers are doing build-to-suits for Facebook, Google, and Tableau.

Industrial leasing is strong. This may be a factor of higher rents that are up more than 20% over the past three years. Retail has shown improvement, with vacancy down and rental rates moving up in stable and strong trade areas. Both industrial and retail markets have been boosted by increased retail sales.

The lodging market has continued to improve, reflecting the tourist draw of the region and strong conference business. Long term, each sector's expansion is limited by available land, a major reason that investors rank the region so highly.

Investors have begun to back off on some pricing parameters with fewer rent spikes and increased terminal capitalization rates as eventual interest rate growth is acknowledged. That factor will likely have an effect on going-in rates at the next increase as the previous one was absorbed via lower equity return. Many investors do not plan to repeat that adjustment.

Area Market Summary

The long-term outlook for the region continues to be better than most markets nationwide. The recovery has been strong for four years. Job growth may have peaked in 2015 with 2.9% growth, but the projected fall-off has repeatedly been reduced. Retail sales showed a very strong increase in 2015, with only minor signs of slowing so far in 2016. The region is expected to outperform most of the nation, based on the diversified core of the economy anchored by Microsoft, Amazon, and Boeing as specific examples. Even though two of those three shed jobs in 2014 and in early 2015, those losses were covered by the growth of Amazon and other tech companies.

Most of the local real estate markets are in some level of ascendance, or extended peak-plateau. Apartments are perched at a plateau with no signs of descent near-term. Investment activity continues to increase primarily in the best quality properties in all categories by institutional investors. Sales have increased in the value-add sector of the office, apartment, and retail markets as the returns available on Class A properties are squeezed by high demand.

2014 and 2015 were both stronger years than initially forecast across the region. The forecasts for 2016 appear to be conservative, and job growth has not yet slowed. If the rate of growth slows in 2017, this will test the apartment market since a large number of units are scheduled for completion in 2016 and 2017. It should have less effect on the office and retail categories where demand for space tends to lag job growth by a few quarters. The real estate markets in the region have solid fundamentals due to the broad-based economy.

Neighborhood Description

Introduction

The subject is located in the north-central portion of incorporated Lacey, Thurston County. Olympia is adjacent directly to the west and the Hawk's Prairie retail and industrial area is to the east. A location map is shown on the previous page with the subject's location noted. The subject is part of the Lacey's primary retail and office node that follows on both sides of I-5 and Martin Rd. between Boulevard Rd. to the west and Marvin Rd. to the east. This commercial concentration serves Tumwater, Olympia and Yelm. The subject's immediate neighborhood is moving toward office uses, and new retail development is most active at the intersection of Marvin Rd. and I-5.

Nearby and Adjacent Land Uses

The subject is part of the micro-market of office and retail space between College and Sleater-Kinney Rd. SE. I-5 is nearly adjacent to the north and the south boundary of the immediate neighborhood is Pacific Avenue SE, a major east-west thoroughfare. Overall, there has been very little change in the neighborhood in recent years. Vacancy increased dramatically as a number of buildings were delivered as the recession hit. A number of State agencies also then opted to condense their operations into fewer buildings and many relocated for newer or build-to-suit buildings in Tumwater. This effect has slowed significantly in recent years, but has hit the subject's immediate office node particularly hard. This node of over 40 office buildings accounts for just over half of Lacey's office inventory, but about 88% of the submarket vacancy, which currently sits at 12.90%.

To the west are a Fred Meyer and a retail power center anchored by Sears, Target and Kohls. To the east, across College St. SE, is the St. Martins University campus and St. Martins Park. Beyond Pacific Ave. SE to the south, uses quickly transition to single-family residential uses. To the north of I-5, there are a few older retail uses, the largest being Lowe's, but uses also quickly transition to residential.

Access

Access to the neighborhood is provided by two major north-south streets (Sleater-Kinney and College), each providing access to full I-5 interchanges. East-west traffic is concentrated on two arterials in addition to I-5: Martin Way E. and Pacific Avenue SE. Access through the remaining portion of the neighborhood is a full grid of local streets, some of which are interrupted by larger parcels, I-5, and St. Martins Park.

A Thurston County Transit station is located just northwest of the subject at Golf Club Pl. SE and 6th Ave. SE. This feature is helpful for many office tenants and improves the subject's overall access.

**Neighborhood
Demographics**

Lacey's demographics are generally positive with a forecasted population growth of 1.41% annually, above county levels of 1.24%. Owner-occupied housing and household incomes are slightly below county and state levels. Demographics with the subject's immediate vicinity are moderately below those of Lacey as a whole.

Conclusion

Lacey is a mid-size community with a full array of housing and services. The subject's immediate neighborhood is centrally located with very good access throughout the city and the region with two interchanges with I-5 within a mile of the subject. Development was paused for all product types during the recession, but returned in the last few years with a number of retail, residential and industrial deliveries. Surrounding uses are supportive of office use, but the submarket is still recovering from high vacancy and reduction of government office space demand.

Office Market Overview

Lacey Office Submarket

Quarter	Inventory Bldgs	Inventory SF	Vacant SF Total	Vacant Percent Total	Net Absorption SF Total	Deliveries Bldgs	Deliveries SF	Under Construction Bldgs	Under Construction SF	Office Base Rent Overall
QTD	135	2,086,377	272,231	13.00%	(2,119)	0	0	0	0	\$15.35/NNN
2016 Q3	135	2,086,377	270,112	12.90%	14,625	0	0	0	0	\$15.42/NNN
2016 Q2	135	2,086,377	284,737	13.60%	60,628	1	16,700	0	0	\$16.00/NNN
2016 Q1	134	2,069,677	328,665	15.90%	484	0	0	1	16,700	\$15.89/NNN
2015 Q4	134	2,069,677	329,149	15.90%	2,950	0	0	1	16,700	\$15.92/NNN
2015 Q3	134	2,069,677	332,099	16.00%	(2,756)	0	0	0	0	\$16.04/NNN
2015 Q2	134	2,069,677	329,343	15.90%	8,576	0	0	0	0	\$15.95/NNN
2015 Q1	134	2,069,677	337,919	16.30%	3,819	0	0	0	0	\$15.96/NNN
2014 Q4	134	2,069,677	341,738	16.50%	60,729	0	0	0	0	\$15.94/NNN
2014 Q3	134	2,069,677	402,467	19.40%	(67,203)	0	0	0	0	\$15.28/NNN
2014 Q2	134	2,069,677	335,264	16.20%	5,442	0	0	0	0	\$14.51/NNN
2014 Q1	134	2,069,677	340,706	16.50%	(35,191)	0	0	0	0	\$14.50/NNN
2013 Q4	134	2,069,677	305,515	14.80%	4,780	1	2,800	0	0	\$14.61/NNN
2013 Q3	133	2,066,877	307,495	14.90%	(20,508)	0	0	1	2,800	\$14.76/NNN
2013 Q2	133	2,066,877	286,987	13.90%	60,100	0	0	1	2,800	\$14.48/NNN
2013 Q1	133	2,066,877	347,087	16.80%	15,841	0	0	1	2,800	\$14.60/NNN
2012 Q4	133	2,066,877	362,928	17.60%	16,359	0	0	0	0	\$14.57/NNN
2012 Q3	133	2,066,877	379,287	18.40%	(87,784)	0	0	0	0	\$14.60/NNN
2012 Q2	133	2,066,877	291,503	14.10%	9,325	0	0	0	0	\$14.98/NNN
2012 Q1	133	2,066,877	300,828	14.60%	(5,942)	0	0	0	0	\$14.78/NNN
2011 Q4	133	2,066,877	294,886	14.30%	3,322	0	0	0	0	\$15.02/NNN
2011 Q3	133	2,066,877	298,208	14.40%	(16,707)	1	4,723	0	0	\$14.89/NNN
2011 Q2	132	2,062,154	276,778	13.40%	5,912	0	0	1	4,723	\$14.93/NNN
2011 Q1	132	2,062,154	282,690	13.70%	(6,731)	0	0	0	0	\$15.07/NNN
2010 Q4	132	2,062,154	275,959	13.40%	28,274	0	0	0	0	\$15.23/NNN
2010 Q3	132	2,062,154	304,233	14.80%	(32,516)	0	0	0	0	\$15.55/NNN
2010 Q2	132	2,062,154	271,717	13.20%	(2,896)	0	0	0	0	\$15.70/NNN
2010 Q1	132	2,062,154	268,821	13.00%	5,152	0	0	0	0	\$15.78/NNN

Office Market Overview

Thurston County Submarket

In the Thurston County market, Washington State is the largest office user by far, in both owned and leased space. Beginning with space directly around the capital and most recently expansions in Tumwater and Lacey prior to the recession. The State occupies multiple buildings in Tumwater, Lacey, Downtown Olympia and peripheral markets surrounding Olympia's downtown core.

The current Thurston County office inventory totals just under 9.7 million sq ft of space among 860 buildings (illustrating the small average size of office buildings in the market). The market's current office vacancy rate is reported by CoStar for Q3 of 2016 is 6.8%, which is down from 8.9% a year ago and highs of 11.50% two years ago. After increasing from a low of 8.6% in the 4th quarter of 2009 to a high of 11.6% in the 3rd quarter of 2010, vacancy fluctuated modestly through year-end 2014 before beginning to fall.

Although not listed within Costar, there is currently one project under construction, an 81,065 sq ft building in Tumwater that is 65% pre-leased to the Department of Revenue. Other than this, there has only been one other delivery at 16,700 sq ft in the last 3 years, which was a build-to-suit in Lacey. Even in the stronger markets, office sales in the Thurston County market have been limited. Some of the recent sales have still been distressed to some degree including high vacancy and/or seller motivation. Market activity has increased in core asset properties with some funneling down to suburban markets including the local Thurston County investor market.

Tumwater/South Olympia Office Submarket

An historical overview of the subject's Lacey office submarket is shown in the preceding table. The current submarket inventory totals just over 2M sq ft of office space in 135 buildings. The only recent construction within this submarket was the Q2 2016 addition of a 16,700 sq ft, build-to-suit office for BioLife Plasma. The lack of new construction as well as the final consolidation efforts from certain government agencies in the market will help this market begin to recover.

MARKET VACANCY AND ABSORPTION

The submarket's vacancy rate is reported at 12.90% as of Q3 of 2016, which is well above the office vacancy for Thurston County as a whole. Office vacancy quickly rose from a low point of 7.0% in Q3 of 2007 up to 13.50% by the end of 2008. This was driven by the start of the national recession as well as the delivery of just over 100k sq ft in 2008. From that point through 2013, vacancy mainly hovered between 13% to 15% before

peaking at 19.40% in Q3 of 2014. Since 2008, no significant office additions have been made to the submarket. Absorption remained mixed with significant losses in 2012 and 2014, and moderate gains made in 2013. More recently the submarket absorbed 12,589 sq ft in 2015 and 73,618 sq ft YTD in 2016. This absorption has brought vacancy down about 300 basis points from a year ago.

However, it is important to note that within the subject's immediate neighborhood (bounded by Pacific Ave., College St. SE, I-5, and Sleater Kinney Rd. SE) accounts for much of this vacancy. This pocket represents about 52% of Lacey's office inventory, but accounts for about 88% of the submarket vacancy.

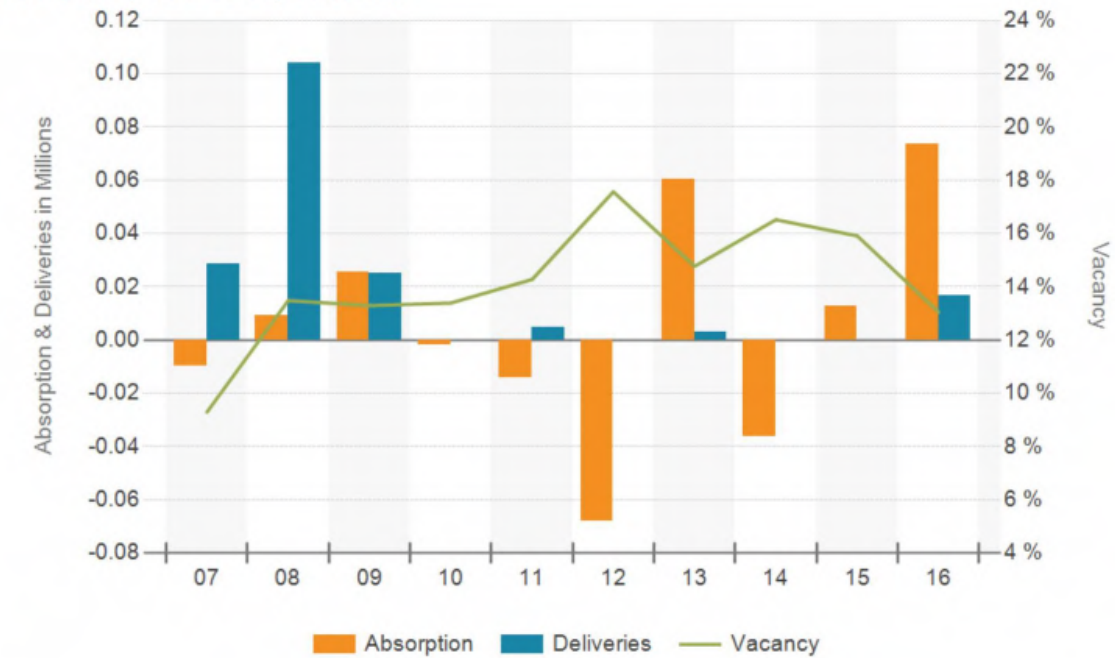
RENTAL RATES

Average reported rental rates around \$18/sq ft prior to the recession trended quickly downward during 2009, leveling off around \$14 to \$15/sq ft. Since then rates have remained largely flat with slight increases towards \$16/sq ft over the last two years. With this said, rental rates vary greatly depending on condition and quality of office. Average rates are often impacted by smaller buildings with offset locations and some inefficiencies. The newer, good quality office buildings are leasing at higher full service office rates typically between \$22.00 and \$28.00/sq ft.

Summary

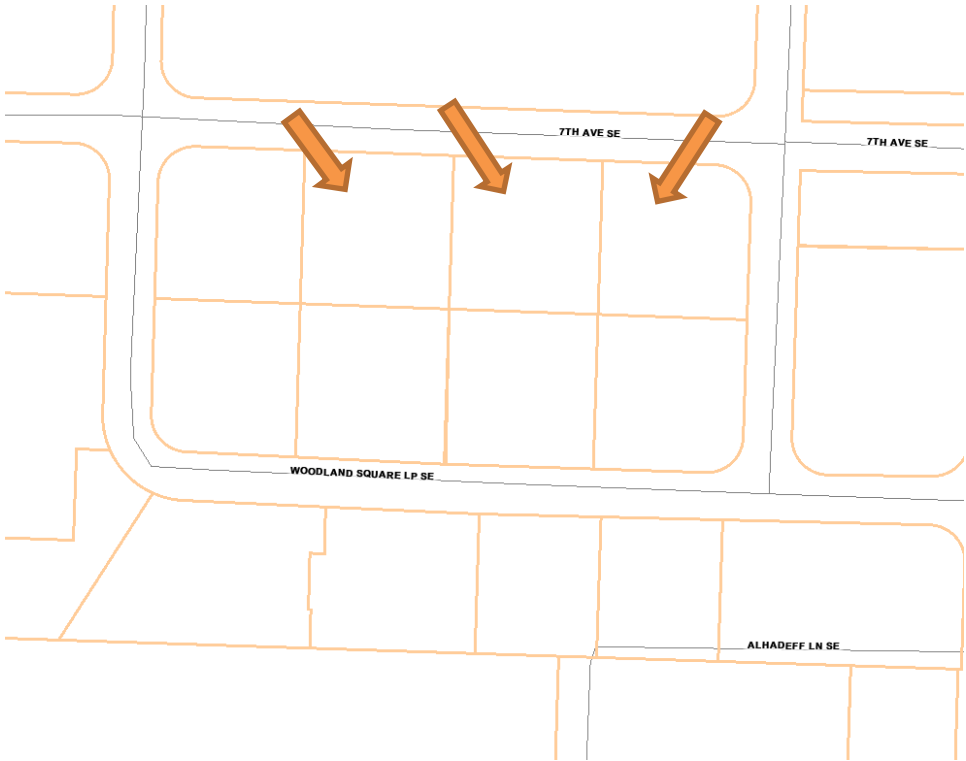
State government consolidation and downsizing had an adverse impact on the Thurston County office market, particularly between 2010 and early 2014, much of which occurred in Downtown Olympia. There has been some recent tightening and a lack of new construction has shown some modestly improving signs for the office market both in Thurston County and marginal improvements within the Lacey submarket. Although, properties in the subject's immediate office node are still seeing slow leasing activity and a vacancy rate of almost 22% (12.90% within the greater Lacey submarket).

Absorption, Deliveries, Vacancy



Source: CoStar – November 2016

Property Description



Parcel Map

Property Description

Introduction The subject is a four-story office building located in Lacey’s Woodland District. The 2001, reinforced-concrete structure contains 65,760 sq ft per a recent BOMA re-measurement.

Identity of Property Location: 4565 7th Ave SE

 City: Lacey

 Parcel Numbers: 84990003100, -3200, -3300

 Liens and We have been provided with a Title Report prepared
Encumbrances: by First American Title Insurance Company and
 dated September 2, 2016. Typical utility easements
 are noted in the report, with a single access
 easement noted along the subject’s southern edge
 for parking lot access. This is a mutual easement
 with the property to the south, which is under the
 same ownership. Our evaluation presumes the site
 is absent of significant easements or encumbrances
 that would impact the market value of the subject.

 The improvements are 27% leased by two
 government tenants.

SIZE & SHAPE The subject’s three parcels form a functional, rectangular shape with corner positioning along 7th Ave. SE and Woodland Sq. Loop SE. According to the Thurston County Assessor, the subject contains 2.36 acres of land area.

STREETS, ACCESS & EXPOSURE Woodland Sq. Loop SE is a two-way street with a single lane of traffic in each direction as well as on-street parking. It is improved with curbs and lighted sidewalks. 7th Ave. SE is of similar improvement, but no street parking is permitted. Primary access to the subject’s office node is via College St. SE to the east, but additional access is available through side streets to the south and west.

 Accessibility is good given its access to local arterials and I-5 to the north. Visibility is average, as it has no frontage along local arterials.

**TOPOGRAPHY &
SOIL CONDITIONS**

The site is level and at-grade with neighboring parcels and roads.

We were not provided with any soils reports and we assume the soils are adequate to support any building improvements that might represent the highest and best use of the site. No obvious signs of settling were noted upon inspection; however, this should not be construed as a guarantee that the soils are adequate to support its current use.

UTILITIES

All normal public utilities are available to the subject site.

**ASSESSOR'S
INFORMATION**

The assessed value is 95% of our value conclusion of \$7,300,000 .

Real Estate Tax Analysis

APN # 84990003100, -3200, -3300

Year	Assessed Values			Taxes & Fees			Total	Levy Rate
	Total	Land	Building	Taxes	Weed	Cons		
2016	\$6,905,700	\$1,057,300	\$5,848,400	\$82,263.79	\$14.16	\$15.00	\$82,292.95	\$11.912448
2015	\$6,467,500	\$1,119,400	\$5,348,100	\$83,851.57	\$11.16	\$15.00	\$83,877.73	\$12.965067

ZONING

The subject is zoned Urban Neighborhood 1 within the Woodland District zoning, dictated by the City of Lacey. This is intended to encourage a diversity of uses in the city core that are pedestrian and transit friendly. A variety of commercial uses are permitted, focused on service, medical, educational, office, and locally-serving retail. Multi-family, residential uses are also permitted. No maximum FAR is specified and required office parking is 1.5 to 2 stalls per 1,000 sq ft depending on customer service components.

While the subject could benefit from additional parking, it appears that its current improvements are legally conforming to current zoning.

CONCLUSION

In summary, the site characteristics are similar to other properties in the immediate vicinity. There are no site conditions known to the appraisers that have a negative impact on the value or marketability of the subject site.

Description of Improvements

INTRODUCTION

The site is improved with an average quality, Class "B" office building. It is currently in good condition and includes 65,760 sq ft of rentable area.

PHYSICAL AGE

The building was constructed in 2001, and it has an estimated effective age of 10 years.

**FRAMING &
EXTERIOR**

The foundation is poured in-place concrete slab on grade. The roof is a flat membrane. The structure features some brick finishes, a mostly glass façade, and minor covered entryways.

The subject also shares a small, masonry HVAC plant with the 640 Woodland Sq. Loop SE building to the south, which is under the same ownership as the subject. It is located at the northeast corner of the neighboring parcel, between the two buildings.

**INTERIOR LAYOUT /
FINISHES**

The subject's four floors are built-out for typical office use with primary entrances at the north and south ends of the building; however, only the north side has elevator access. Each floor is supported by private offices, lunch/staff areas, conference rooms, and open cubical space. Bathrooms are present on all floors, but are adjacent to elevators within common areas. The 3rd and 4th floors of the former Gambling Commission space could be leased to a single or multiple tenants based on their layouts. Their 2nd floor space is marginally less functional due to its previous machine testing use.

Interior finishes include painted gypsum wallboard, ceiling tiles, fluorescent lighting, carpet and vinyl tiles. Heating and cooling is by forced air units with distribution suspending on the ceiling. The building is sprinklered. The building design is functional and would appeal to a variety of office users.

**SITE IMPROVEMENTS
& PARKING**

Extending to the east of the improvements is a large parking lot. This provides roughly 183 parking stalls, which equates to 2.8 spaces per 1,000 sq ft and exceeds zoning requirements.

The property features moderate landscaping along the building and street frontage, including a variety of trees and shrubs.

**CONDITION &
FUNCTIONAL UTILITY**

The building is in good condition and would attract a variety of office users.

Highest & Best Use

Highest & Best Use

“Highest & Best Use” is defined by the Appraisal Institute as:

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Source: The Dictionary of Real Estate Appraisal, Sixth Edition. Chicago: Appraisal Institute, 2015.

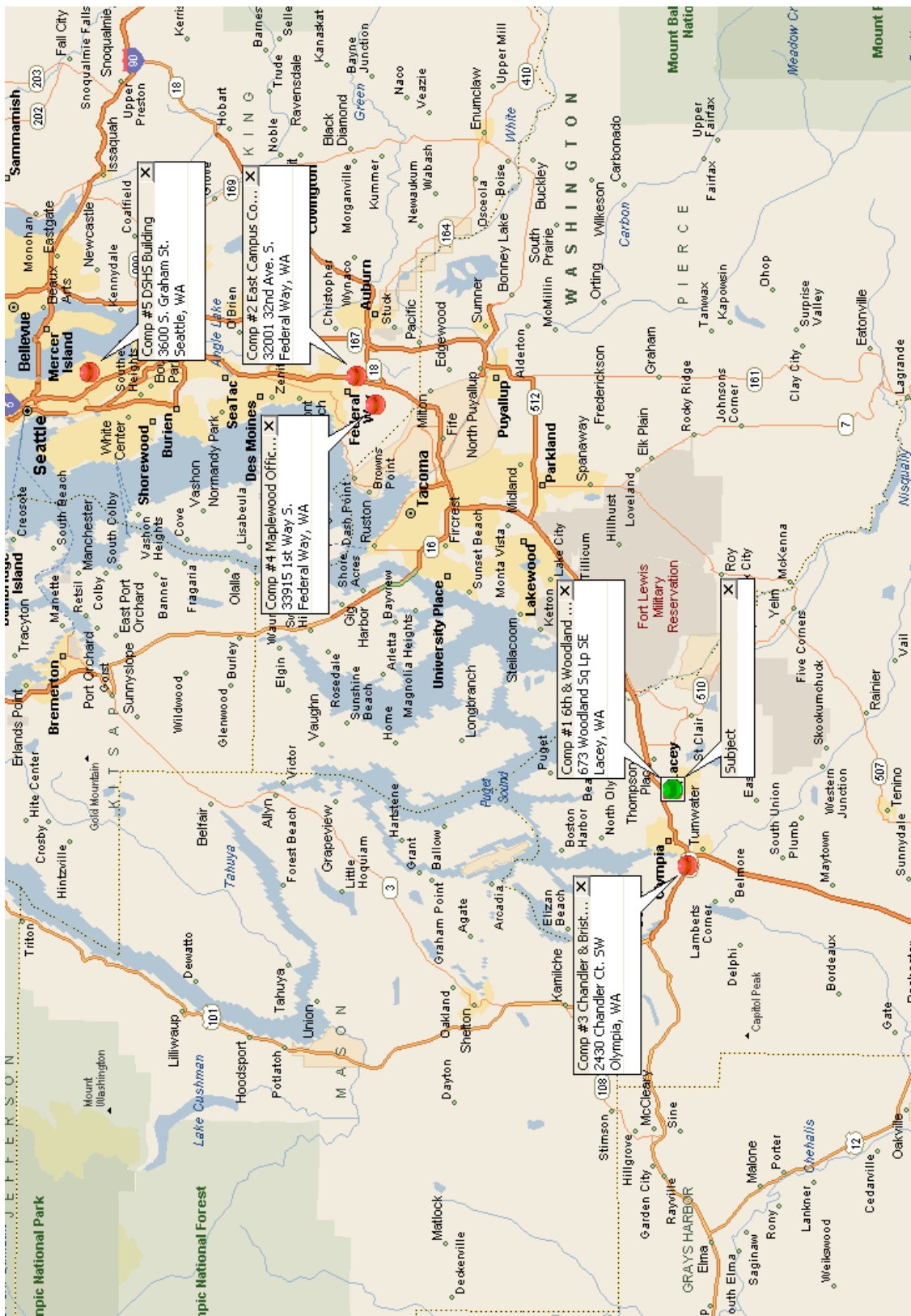
As if Vacant

The subject is zoned Urban Neighborhood 1 within the Woodland District zoning, dictated by the City of Lacey. This is intended to encourage a diversity of uses in the city core that are pedestrian and transit friendly. A variety of commercial uses are permitted, focused on service, medical, educational, office, and locally-serving retail. Multi-family, residential uses are also allowed. No maximum FAR is specified. The subject's size, shape, and topography are sufficiently conducive to support a variety of uses. Surrounding properties are almost exclusively office uses, transitioning to retail further to the west. Recent office development has been limited to a very few owner-user and pre-leased projects, with retail activity increases concentrated in superior retail pockets like Hawk's Prairie. The highest and best use of the site as if vacant is for commercial development, as dictated by market demand and conditions.

As Improved

The subject is a good quality office building, 27% leased to government tenants. Existing improvements are in good condition and, as shown later in this report, contribute significant value to the site; therefore, demolition or conversion are not likely. Due to the layout of the subject improvements and current market conditions, an addition is not feasible and renovation would not result in significant increases in rent. As a result, the highest and best use is for continued office use, “as-is.”

Sales Comparison Approach



Sales Comparison Map

Sales Comparison Photographs

Comparable 1

6th & Woodland Bldg
673 Woodland Sq Loop SE
Lacey, WA



Comparable 2

East Campus Corp Park I
32001 32nd Ave. S.
Federal Way, WA



Comparable 3

Chandler & Bristol Court
2425 Bristol Ct. SW /
2430 Chandler Ct. SW
Olympia, WA



Sales Comparison Photographs

Comparable 4

Maplewood Office Building
33915 1st Way S.
Federal Way, WA



Comparable 5

DSHS Building
3600 S. Graham St.
Seattle, WA



SALES COMPARISON SUMMARY

No	Name / Location	Year Build	Land LTB Ratio	Pkg Ratio	Sale Date	Sale Price	Price/SF	\$NOI/SF		Buyer / Seller / Source	Comments
								Cap Rate			
1.	6th & Woodland Bldg 673 Woodland Sq Lp SE Lacey, WA	2008 Masonry 61,472		67,954 1.11 2.8/Ksf	May-12	\$5,743,400	\$93	NA NA		DM Ventures-Lacey, LLC Opus Bank Rob Knowles, JSH, 425.455.0500	Newer office building in good condition, but only 38% occupied ATOS. Investor purchased through REO sale with a pro-forma cap rate of 6.1%. Much of vacancy was shell.
2.	East Campus Corp Park I 32001 32nd Ave. S. Federal Way, WA	2001 Masonry 105,807		239,580 2.26 4.0/Ksf	Mar-15	\$17,900,000	\$169	\$12.69 7.50%		Sterling Realty Organization Co. FRC Federal Way, LLC Internal Records	Large office building that was 86% occupied ATOS. It was on the market for six months and attracted an investor with long term leases and good tenant history.
3.	Chandler & Bristol Court 2425 Bristol Ct. SW / 2430 Chandler Ct. SW Olympia, WA	1991/2000 Wood/Masonry 103,618		137,314 1.33 1.5/Ksf	Dec-14	\$15,000,000	\$145	\$12.02 8.30%		Redstone Bristol Court, LP Drebrick Investments Craig Wilson, CBRE, 425.462.6922	Sale of two adjacent, single tenant buildings fully leased by gov't entities; one through 2020 and one expiring in 2016. Building in good condition, no deferred maintenance.
4.	Maplewood Office Building 33915 1st Way S. Federal Way, WA	2005 Masonry 32,074		110,207 3.44 3.5/Ksf	May-15	\$5,850,000	\$182	\$13.50 7.40%		First American Exchange Co. CMFG Life Insurance Co. Bill Frame, KM, 253.722.1403	100% occupied by eight tenants, located in West Campus neighborhood of Federal Way. Two-story structure in good condition ATOS. Purchased by out of state REIT.
5.	DSHS Building 3600 S. Graham St. Seattle, WA	1982; Ren. '09 Masonry 40,738		84,506 2.07 2.6/Ksf	Jul-15	\$8,200,000	\$201	\$13.08 6.50%		North American Chang Jiang 8, LLP Western Properties, Inc. Patrick Starr, Broker, 360.671.9640	Building was 100% leased to DSHS at time of sale with 5-years remaining on their lease. The two-story structure in South Seattle was renovated in 2009.
Subject		2001		102,715	Appraisal	\$10,192,800	\$155				
4565 7th Ave SE Lacey, WA		Masonry 65,760		1.56 2.8/Ksf	Rounded	\$10,200,000	\$155				

Sales Comparison Approach

Introduction

The Sales Comparison Approach is based on the premise that market value of the property is directly related to recent sale prices of competitive properties and the availability of substitute properties with similar utility and desirability. The most similar sales of properties are investigated and compared to the subject. In this report, we analyze the subject as stabilized and then deduct related lease-up costs due to the subject's high vacancy. These comparables are summarized in the table on the facing page. Photographs and a location map are presented on previous pages.

Five improved sale comparisons were selected that are reasonably similar to the subject as-if stabilized, indicating a range in value of \$93/sq ft to \$201/sq ft. Most are well-leased office buildings of good quality throughout the Puget Sound Region, all attracting investor buyers. These range approximately between 32k and 106k sq ft of rentable area with some including government tenants similar to the subject. Building ages vary between 1982 and 2008, with some having recent renovations. Sales dates range from May 2012 to July 2015. Comparable factors analyzed within each sale include sale and market conditions, location, age/condition, LTB ratio/parking, size, function, and tenancy.

The high end of the range (No. 5 at \$201/sq ft) is the July 2015 sale of the DSHS Building in South Seattle. This is a 40,738 sq ft, 1982 vintage structure that was renovated in 2009 and fully occupied by a government tenant with 5-years remaining on their lease. Its good condition and superior positioning in South Seattle indicate lower pricing for the subject.

The low end of the range (No. 1 at \$93/sq ft) is the May 2012, REO sale of the 6th & Woodland Building just to the northeast of the subject. The 61,472 sq ft structure was delivered in 2008 at the start of the recession and was only at 38% occupancy at the time of sale. Much of the vacancy was in shell condition and the bank was motivated to sell the property. The building is of a newer, higher quality, but its high vacancy, sale motivation, and sale date indicate a much higher pricing for the subject. In addition, the subject would also warrant a higher "as-is" pricing given its characteristics and market conditions.

Sale No. 3 (\$145/sq ft) is the December 2014 purchase of two, single-tenant office buildings in western Olympia along SR-101. The multi-story structures are of similar size as each other, totaling 103,618 sq ft, and were built in 1991 and 2000. Exposure and access are good, but both

suffer from poor parking ratios. One government tenant renewed in July 2014 for 5-years, but the other was set to expire in May of 2016. The comparable's inferior construction/condition, parking ratio, and older sale date indicate a slightly higher pricing for the subject.

The remaining two sales were both of office buildings in Federal Way. No. 4 (\$182/sq ft) is the May 2015 sale of a 2005 vintage, 32,074 sq ft building that was fully occupied by eight tenants. Its newer construction, strong tenancy, market positioning, and smaller size indicate a lower pricing for the subject.

No. 2 (\$169/sq ft) is the March 2015 sale of a 2001 vintage, 105,807 sq ft building with direct access to I-5 along S. 320th St. The structure was in good condition at the time of sale and features adequate parking. The buyer was an investor attracted by the long-term leases in place and good tenant history, but the building required some lease-up due to an 86% occupancy rate. While the comparable is of a similar construction/function, the subject's parking ratio and market positioning warrant a lower price per sq ft.

The subject is most similar to sales No. 2 (\$169/sq ft) and No. 3 (\$145/sq ft) given their discussed attributes. Overall, the subject would warrant a value range of \$150/sq ft to \$160/sq ft depending on factors like potential lease terms and tenant quality.

Stabilized Market Value

Considering all factors, the stabilized market value of the subject is estimated at:

$$65,760 \text{ sq ft} \times \$155/\text{sq ft} = \$10,200,000 \text{ (Rounded)}$$

Sales Comparison Conclusion After Lease-Up Costs

Lease-up costs, as derived within the Income Capitalization Approach of this report, are estimated at \$2,780,000. As a result, the as-is market value of the leased fee interest in the subject as of January 1, 2017 is estimated at:

$$\$10,200,000 - \$2,780,000 = \$7,400,000 \text{ (Rounded)}$$

Income Capitalization Approach

Income Capitalization Approach

Introduction

The Income Capitalization Approach is based on the precept that an income-producing property is typically purchased as an investment, and therefore the earning power of the asset is critical to understanding the property's value. This approach is developed by analyzing the property's income and expenses over the following base year to forecast the most probable net operating income (NOI). The estimated NOI is then capitalized at a market-derived capitalization rate to arrive at a price an investor might be willing to pay for the property. Data used in this approach includes a mixture of general and specific information resources. There are two methods typically used to indicate value: direct capitalization and yield capitalization (discounted cash flow analysis). In this case, direct capitalization is the most relevant and therefore used in this report.

Existing Lease Encumbrance (Contract Rent)

The subject is approximately 27% leased by two tenants. The Gambling Commission intends to vacate approximately two-thirds of the building by the end of 2016. This leaves the 3rd and 4th floors, as well as a portion of the 2nd floor vacant. Per the receivership broker, DSHS and the Dept. of Services for the Blind have agreed to extend their leases for 5-years at \$16/sq ft with 3 months of free rent and \$2 to \$3/sq ft in TI allowances. Given the impending nature of these leases, this report assumes renewal start dates of December 1, 2016.

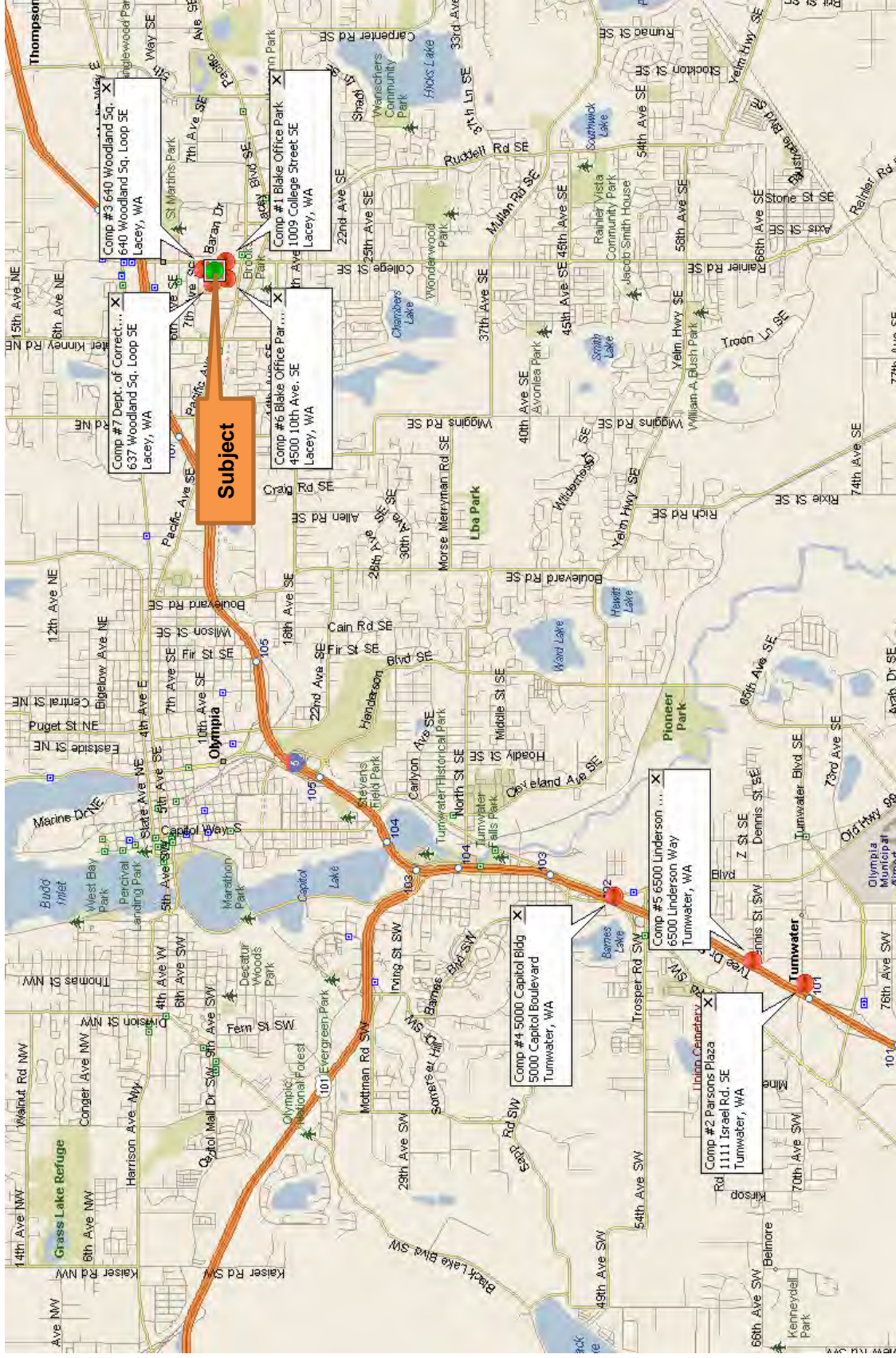
Comparable Rental Data

In order to determine market rent for the subject property, we have researched the subject's submarket for recent listings and signed leases. We have selected rent comparables from similar office properties, including the most recent leasing activity within the subject.

LEASE SUMMARY

No.	Tenant	Size	% of RA	Current Term		Rental Rates		Monthly	\$/sf	TI\$/sf	Comments
				Begin	End	Begin	End				
1	DSHS Floor 1	11,803	17.95%	Dec-16	Nov-21	Dec-16		\$15,737.83	\$16.00	\$2-3 Flat	Receiver indicates tenant has agreed to 5-yr renewal with LL curing deferred maintenance and providing 3-mos of free rent. Tenant only pays for utilities, garbage and janitorial
2	Dept. of Services for the Blind Floor 1	4,366	6.64%	Dec-16	Nov-21	Dec-16		\$5,820.84	\$16.00	\$2-3 Flat	Receiver indicates tenant has agreed to 5-yr renewal with LL curing deferred maintenance and providing 3-mos of free rent. Tenant only pays for utilities, garbage and janitorial
3	Dept. of Services for the Blind Floor 2	1,647	2.50%	Dec-16	Nov-21	Dec-16		\$2,195.59	\$16.00	\$2-3 Flat	Receiver indicates tenant has agreed to 5-yr renewal with LL curing deferred maintenance and providing 3-mos of free rent. Tenant only pays for utilities, garbage and janitorial
5	VACANT Floor 2	8,054	12.25%	NA	NA	NA		NA	NA	NA	
4	VACANT Floors 2-4	39,890	60.66%	NA	NA	NA		NA	NA		Former Gambling Commission areas that include approx. 7K sq ft on the 2nd floor and the entirety of the 3rd and 4th floors

Total	65,760	100.0%
Vacant	47,944	72.9%
Occupied	17,816	27.1%



Rent Comparison Map

Rent Comparison Photographs

Comparable R-1
Blake Office Park
1009 College St. SE
Lacey, WA



Comparable R-2
Parsons Plaza
1111 Israel Rd. SE
Tumwater, WA



Comparable R-3
640 Woodland Sq. Loop SE
Lacey, WA



Rent Comparison Photographs

Comparable R-4

5000 Capitol Building
5000 Capitol Blvd.
Tumwater, WA



Comparable R-5

6500 Linderson Building
6500 Linderson Way SW
Tumwater, WA



Comparable R-6

Blake Office Park - Bldg B
4500 10th Ave. SE
Lacey, WA



Rent Comparison Photographs

Comparable R-7

Dept. of Corrections Building
640 Woodland Sq. Loop SE
Lacey, WA



No	Name/Address	Age RA (SF) Stories	Tenant Area (SF)	Term	Start Date	Base Year Rent		Expenses	TI Allowance		Comments/Confirmation
						Ann.	Escalations		Free Rent		
1	Blake Office Park 1009 College Street SE Lacey, WA	1992 60,000 2-Story	16,783	10 Years	Jul-16	\$16.50	Flat	Mod. Gross	Minimal None	5-Year lease extension with tenant paying utilities, garbage, and janitorial expenses. TI work is considered minimal, primarily small building repairs. MG rate of \$16.50/sq ft.	
2	Parsons Plaza 1111 Israel Rd. SE Tumwater, WA	2008 52,510 3-Story	18,816	2 Years	Feb-15	\$16.90	Flat	Mod. Gross	Minimal None	2-Year lease extension with tenant paying utilities, garbage, and janitorial expenses. No TI allowance or free rent was provided. Lease to Dept. of Corrections, with leased areas in two adjacent buildings. MG rate of \$16.90/sq ft. <i>Public Lease</i>	
3	640 Woodland Sq. Building 640 Woodland Sq. Loop SE Lacey, WA	2003 84,149 3-Story	5,653	5 Years	Sep-15	\$18.60	Flat	Mod. Gross Equiv.	Minimal None	5-Year extension with tenant on a full service lease at \$21.60/sq ft. TI work is considered minimal, primarily small building repairs. Lease to Env. & Land Use Hearings Office. <i>Internal Records</i>	
4	5000 Capitol Building 5000 Capitol Blvd. SE Tumwater, WA	1973; Ren. '02 43,080 2-Story	70,449	5 Years	Jul-16	\$16.40	Flat	Mod. Gross Equiv.	\$5.11/sq ft None	5-Year extension that slightly reduces tenant's area and makes it full service lease at \$19.40/sq ft. LL provided \$5.11/sq ft in TI, in addition to curing a number of deferred maintenance items. This includes HVAC work, new carpet/paint, other items that total \$22.48/sq ft. <i>Receivership Lease Files</i>	
5	6500 Linderson Bldg 6500 Linderson Way SW Tumwater, WA	2003 96,103 3-Story	46,080	5 Years	May-17 (Aug. 2016 Renewal)	\$18.41	Flat	Mod. Gross	\$4.14/sq ft None	5-Year extension with tenant paying utilities, garbage, and janitorial expenses. No free rent or renewal options were provided to the tenant. Tenant previously renewed in 2012 at a flat \$17.35/sq ft and executed current renewal in August of 2016 at \$18.41/sq ft. <i>Subject Lease</i>	
6	Blake Office Park - Bldg B 4500 10th Ave. SE Lacey, WA	1999 54,788 2-Story	96,103	5 Years	Jun-13	\$18.97	Flat	Mod. Gross	Minimal None	5-Year extension with tenant paying utilities, garbage, and janitorial expenses. No free rent or renewal options were provided to the tenant. <i>Internal Records/Public Lease</i>	
7	Dept. of Corrections Building 637 Woodland Sq. Loop SE Lacey, WA	1986 18,104 2-Story	54,788	5 Years	Aug-14	\$17.25	Flat	Mod. Gross	Minimal None	5-Year renewal with DSHS paying utilities, garbage, and janitorial expenses. No TI allowance or free rent was provided. <i>Public Lease</i>	
			18,104	5 Years	Jun-14	\$18.40	Flat	Mod. Gross	Minimal None	Typical, 5-year renewal of government lease within single tenant building. Landlord completed minor repairs and maintenance to the property. <i>Receivership Lease Files</i>	
Subject 4565 7th Ave SE Lacey, WA		2001 65,760 4-Story	65,760	Appraisal		\$17 to \$18	Flat	Mod. Gross			

Comparative Analysis

Rental rates for office properties are often quoted in a variety of gross and modified gross ways, with expenses being reimbursed to different extents. However, the majority of government office leases, including the subject's, are on modified gross terms with the tenant covering utilities, janitorial, and garbage expenses. We analyze the subject and comparables selected based on these same lease terms.

Seven recent, government leases within the subject's general submarket indicate modified gross rates of \$16.50/sq ft to \$18.97/sq ft with no escalations. The rent comparables reflect terms of two to ten years with no free rent. TI allowances are mostly basic repairs and maintenance, typical of government leases.

The high end of the range is marked by three leases in Tumwater (No. 2, 4, & 5 between \$18.41 and \$18.97). These government leases are all within good quality office buildings and benefit from positioning within a superior submarket. The subject would warrant a lower rental rate. These rates reflect similar quality buildings, but rates can easily exceed \$20/sq ft within higher quality, Class A office product.

The low end of the range (No. 1 at \$16.50/sq ft and \$16.90/sq ft) represents two recent leases within an older, 1992 vintage office building just south of the subject. The government tenants leases (16,783 sq ft and 18,816 sq ft) included minimal TI and no free rent. Given the age and quality of the comparable, the subject would warrant a higher rental rate.

Adjacent to the subject, an 18,104 sq ft renewal with the Department of Corrections was signed in June of 2014 (No. 7 at \$18.40/sq ft). Although of a 1986 vintage, the structure is in good condition and has identical positioning as the subject. Overall, this smaller, single-tenant structure marks the high end of similar leasing within the subject's immediate node. The subject would likely warrant a lower rental rate.

Two additional, large leases have also been signed in recent years in similar buildings, in close proximity to the subject. In August of 2014, DSHS signed a 5-year renewal for the entirety of a 54,788 sq ft building in the Blake Office Park (No. 6 at \$17.25/sq ft). In July of 2016, the Employment Security Dept. renewed their 70,449 sq ft lease in the subject's sister building to the south at a modified gross equivalent rate of \$16.40/sq ft. The subject would warrant a similar rental rate as these two comparables.

Market Rent Estimate

Overall, the subject would warrant a market rent range of \$17/sq ft to \$18/sq ft depending on the subject's various suite characteristics and sizes. Typical, 5-year government lease terms are expected, including no escalations, minimal free rent, and minor TI allowance. The projected contract rent of \$16.85/sq ft/year is within 3% of our market rental rate estimate as shown in the following table.

Annual Gross Income Estimate

Tenant	%	sq ft	Contract Rent Projected		Market Rent		Contract vs. Market	
			Annual Rent	\$/SF	Annual Rent	\$/SF	Gross	\$/SF
DSHS	17.9%	11,803	\$188,854	\$16.00	\$206,559	\$17.50	(\$17,705)	(\$1.50)
Dept. of Services	6.6%	4,366	\$69,850	\$16.00	\$78,581	\$18.00	(\$8,731)	(\$2.00)
Dept. of Services	2.5%	1,647	\$26,347	\$16.00	\$29,640	\$18.00	(\$3,293)	(\$2.00)
VACANT	12.2%	8,054	\$144,979	\$18.00	\$144,979	\$18.00	\$0	\$0.00
VACANT	60.7%	39,890	\$678,129	\$17.00	\$678,129	\$17.00	\$0	\$0.00
		65,760	\$1,108,159	\$16.85	\$1,137,888	\$17.30	(\$29,730)	(\$0.45)

Gross Rent Estimate

The contract rent essentially reflects a market rental rate for the subject and is used in the direct capitalization analysis. The projected gross rental income is estimated at \$1,108,159, or \$16.85/sq ft/year.

Operating Expenses and Recoveries

As noted previously, contract rent and market rent estimates for the subject are on a modified gross basis with the tenant paying for utilities, garbage collection, and janitorial. Historical expenses at the subject property were not available, so this appraisal relies on expenses from comparable office properties.

Real estate taxes are estimated at \$1.28/sq ft, which is a 2.5% increase from the subject's 2016 tax assessment. Insurance expenses typically range from \$0.20 to \$0.30/sq ft for similar properties, indicating an average expense of \$0.25/sq ft for the subject. Management expenses usually range between 2% and 4% for office properties. Given the subject's multi-tenant occupancy, a rate of 3% is used. Utilities are projected at \$2.00/sq ft based on comparables but are paid by the tenant. Repair and maintenance costs for similar properties typically range between \$0.75/sq ft and \$1.25/sq ft. Considering the subject's historical maintenance and current condition, these expenses are forecasted at \$1.00/sq ft.

Landscaping and security expenses typically range between \$0.20/sq ft and \$0.60/sq ft, indicating \$0.45/sq ft for the subject given its moderate landscaping. Janitorial expenses are also covered by the tenant, but are

projected at comparable averages around \$1.00/sq ft. Miscellaneous expenses are projected to be minimal at \$0.05/sq ft.

Recoverable expenses total \$433,915 per year or \$6.60/sq ft.

Non-recoverable expenses are also considered in our analysis, which include reserves and other ownership expenses. These are projected at \$0.20/sq ft, bringing total property expenses projected to \$447,067 per year, or \$6.80/sq ft.

**Vacancy &
Collection Loss**

A 5% vacancy and credit loss allowance is deducted from the estimated potential gross income. This rate is below the current Lacey submarket vacancy rate, but is in-line with how traditional investors would analyze the subject.

**Direct
Capitalization**

Direct capitalization is the process of converting the estimated stabilized net operating income into market value using a market derived overall capitalization rate. The overall rate is a ratio of net operating income to sales price, usually determined through recent sale comparisons.

Of the comparables used in the Sales Comparison Approach, four reported capitalization rates ranging between 6.50% and 8.30%. The low end reflects the July 2015 sale of a recently renovated building in the superior submarket of South Seattle, fully leased by DSHS. The high end is the December 2014 sale of two government occupied office buildings in Tumwater from 1991 and 2000. These feature poor parking and one building was set to expire in May 2016. Both around 7.50%, the remaining two sales were newer office buildings in Federal Way, well-leased by non-government tenants. Given the subject's current condition, market positioning, and lease-up requirements, it would warrant a stabilized capitalization rate above these Federal Way sales, but below the 2014 sale at 8.3%.

We conducted further research for additional sales taking place in the current market for office properties. The best and most current market capitalization rate data are outlined in the following table.

RECENT CAPITALIZATION RATE SUMMARY

Property Name	City	Age	Bldg SF	Sale Date	Sale Price	Cap Rate
Richland Government Building	Richland	1995	57,937	Sep-15	\$6,300,000	8.49%
Social Security Building	Puyallup	2001	10,000	Sep-15	\$3,210,000	7.22%
DSHS	Seattle	1982; '08	40,738	Jul-15	\$8,200,000	6.50%
Washington Trucking Building	Federal Way	1980	11,500	Jun-15	\$1,300,000	8.30%
Maplewood Office Building	Federal Way	2005	32,074	May-15	\$5,850,000	7.40%
East Campus Corp. Park I	Federal Way	2001	105,807	Mar-15	\$17,900,000	7.50%
Union Ave. Medical Building	Tacoma	1986	19,643	Jan-15	\$3,710,458	7.98%
Chandler & Bristol Buildings	Olympia	1991/2000	103,618	Dec-14	\$15,000,000	8.30%
US Forest Service Building	Olympia	1991; '14	41,822	Dec-14	\$12,025,000	6.98%
Tacoma DSHS	Tacoma	1994	30,000	Oct-14	\$4,500,000	8.93%
King County Housing Building	Tukwila	1974	11,473	Aug-14	\$1,650,000	6.83%
M Parsons Plaza	Tumwater	2008	52,510	Jan-14	\$16,700,100	6.50%
FAA Building	Renton	1990	199,168	Nov-11	\$35,250,000	8.35%
Average						7.64%
Min						6.50%
Max						8.93%

The data show a range of capitalization rates mainly between 6.5% and 9.0% with an average just above 7.5%. Rates below 7% have typically been reserved for buildings with strong, long-term tenancy that benefit from close-in positioning and/or new construction. Into the 7-8% range you find older structures of good condition and solid tenancy, with rates increasing as building age and remaining term/tenant quality falls. Rates then quickly rise above 8% when significant vacancy is present, as leasing activity can be slow and there is still general uncertainty surrounding the submarket.

Overall, the subject would warrant a stabilized capitalization rate slightly above the middle of this range.

Another source for capitalization rates are investor surveys. On a national basis, the PwC Investor Survey 3rd Quarter 2016 reported the overall capitalization rate range for the Seattle Office Market at 4.5% to 8.00%. The average is 5.81%, down from 6.18% a year ago and 6.71% three years ago. Overall, rates in the Puget Sound Region are trending slightly higher than national rates.

Based upon all the above information and considering the condition of the subject property, an appropriate overall capitalization rate for the subject, as-stabilized, is in the range of 7.75% to 8.00%.

A summary of the direct capitalization analysis is shown on the following page:

Summary of Direct Capitalization 4565 7th Ave. Building

		Appraiser's Forecast	
INCOME	RA (SF)	FYE Dec '17	\$/SF/Yr
Rent Income	65,760	\$1,108,159	\$16.85
Reimbursable Expenses	65,760	\$197,280	\$3.00
POTENTIAL GROSS INCOME (PGI)	65,760	\$1,305,439	
VACANCY & COLLECTION LOSS	5.0%	\$65,272	\$0.99
EFFECTIVE GROSS INCOME (EGI)		\$1,240,167	\$18.86
EXPENSES			
RECOVERABLE			
Real Estate Taxes		\$84,350	\$1.28
Insurance		\$16,440	\$0.25
Management	3.0%	\$37,205	\$0.57
Utilities		\$131,520	\$2.00
Landscaping & Security		\$29,592	\$0.45
Repairs & Maintenance		\$65,760	\$1.00
Janitorial		\$65,760	\$1.00
Miscellaneous		\$3,288	\$0.05
Total Recoverable Expenses		\$433,915	\$6.60
NON-RECOVERABLE			
Replacement Reserves		\$9,864	\$0.15
Legal/Accounting		\$3,288	\$0.05
Total Recoverable Expenses		\$13,152	\$0.20
TOTAL EXPENSES		\$447,067	\$6.80
NET OPERATING INCOME		\$793,099	\$12.06
STABILIZED MARKET VALUE			
NOI capitalized at:	7.75%	\$10,233,541	\$156
	8.00%	\$9,913,743	\$151
RECONCILED VALUE	7.85%	\$10,100,000	\$154
(Rounded)			

Income Approach Applying these capitalization rates results in the following market values:
Value Conclusion

7.75% = \$10,233,541
8.00% = \$9,913,743

We correlate this to a stabilized market value toward the middle of the range at \$10,100,000.

Lease-Up Costs Since the subject is only 27% occupied, we included potential lease up costs that an investor would incorporate into their analysis.

Lease Up Costs

RECONCILED AS-IS VALUE \$10,100,000

Total Rentable Area		65,760 Sq Ft
Stabilized Occupancy	95.0%	62,472 Sq Ft
Less leased Area	27.1%	17,816 Sq Ft
SF to be leased to reach Stabilized	67.9%	44,656 Sq Ft

Deductions to complete absorption 44,656 Sq Ft

Absorption Estimate - months		36.0
Straight-line Average downtime		18.0
Lost Rent at Market (\$/Sq Ft)	\$17.17	\$1,149,981
Lost Expense Reimbursement (\$/sf/mo)	\$0.08	\$66,984
Commissions (5% of 5 Year of Lease Term)		\$191,663
Free Rent (2 Months)		\$127,776
TI Allowance (\$/sf)	\$10.00	\$446,560
Subtotal		\$1,982,964
Entrepreneurial Profit	40%	\$793,186
Total Absorption Deductions (rounded)		\$2,780,000

VALUE AFTER LEASE-UP COSTS (Rounded) \$7,300,000

Income Approach Conclusion After Lease-Up Costs Based on market trends, absorption is projected within 36 months for an average downtime of 18 months. After deducting lost rent, TI allowances, lost expense reimbursements, free rent, commissions, and entrepreneurial profit, the reconciled value determined from the Income Approach is \$7,300,000.

Reconciliation & Final Value Opinion

Reconciliation & Final Value Estimate

Final Value Estimate The approaches to value utilized in this report have indicated the following values for the subject property:

Cost Approach	N/A
Sale Comparison Approach	\$7,400,000
Income Capitalization Approach	\$7,300,000

The Income Capitalization Approach indicates a value somewhat lower than the Sales Comparison Approach, although their values are marginally different and supportive of one another. Considering the subject's characteristics and current leases in place, an investor would be the most likely buyer of the subject. This buyer profile would place emphasis on the Income Capitalization Approach.

VALUE CONCLUSION Therefore, sole weight is placed on the Income Capitalization Approach. Based on this analysis, the prospective market value of the leased fee interest in the subject, as of January 1, 2017, is concluded to:

\$7,300,000

ADDENDUM

Engagement Letter

September 27, 2016

Scott Switzer of
Seahawk Portfolio LLC, Mariners Portfolio LLC, WA Portfolio LLC, and Olympia Office LLC
10900 4th Ave., Suite 2300
Bellevue, WA 98004

Via e-mail - Scott@snsll.com

RE: Engagement of Services – Nine Appraisal Reports

Dear Mr. Switzer:

We are pleased to have the opportunity to furnish appraisal services for the nine properties listed below:

- | | |
|---|---|
| #1) CD 1-02 FEMA
629 Woodland Square Loop, Lacey, WA | #6) CDC1-15-DSHS
640 Woodland Square Loop, Lacey, WA |
| #2) CDC1-13 Ins Comm
5000 Capital - Tumwater, WA | #7) CDC1-18 DSHS
805 S. Mission St., Wenatchee, WA |
| #3) CDC1 -03 DOC
637 Woodland Square Loop, Lacey, WA | #8) CDC1-16 DSHS
1620 Pioneer Way, Moses Lake, WA |
| #4) CDC 1 - 04 DOL
645 Woodland Square Loop, Lacey, WA | #9) CDC1-11 West Seattle
8830 25th Ave., SW, Seattle, WA |
| #5) CDC-1-14 Gambling Comm
4565 7th Ave. SE, Lacey, WA | |

The purpose of this letter is to confirm the scope of our services for this engagement, our office practices and policies.

We will prepare the appraisals report using an appraisal process in accordance with the appraisal reporting standards of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. It will contain the descriptions, comparative data, analyses, conclusions and exhibits generally considered essential to a documented appraisal report. In addition, our services will comply with and be subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. The intended user of these appraisals is the client. The intended use of these appraisals is for internal purposes of valuing the properties.

The cost of the nine appraisals will be \$. This fee is based on the scope and timing of our analysis as outlined in this letter. If the scope of analysis changes during the appraisal process, the change could alter the cost. At the stated fee you will receive an electronic copy of the report in PDF format. You may request up to two optional hard copies without additional charge by checking the box by the signature block. Additional hard copies will be available at nominal expense (billed at \$75/hour for administrative staff's time), but it is helpful if we know of your copy requirements at the time we begin work on the project. It is our custom to accept a 50 percent retainer at the time we are authorized to proceed. Payment for our services is due no later than 30 days following delivery of the completed reports. Any past-due accounts bear interest at the rate of 18 percent per year.

Scott Switzer of
September 27, 2016
Page 2

Appraisal values will be reported on October 20th, 2016 and we anticipate delivery of the reports will be made within six weeks from the date we receive from you a signed copy of this engagement letter authorizing us to proceed.

We do not anticipate that any disputes will arise out of our relationship with you. However, if any dispute should arise about our services or fees or any other aspect of our relationship, we and you agree to seek a fair negotiated resolution. If this is not successful, all disputes shall be resolved by binding arbitration in Seattle under the American Arbitration Association ("AAA") Commercial Arbitration Rules with Expedited Procedures in effect on the date hereof. The arbitrator may award attorneys' fees and costs to the prevailing party.

If you agree with these terms of engagement and wish us to proceed, please sign where indicated below and return the letter together with your check for \$ _____ representing the retainer.

Very truly yours,

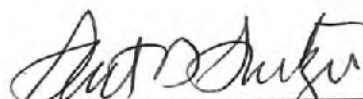
KIDDER MATHEWS



David M. Chudzik, Ph.D., MAI
Vice President

Check if two hard copy reports are required: ☐

ACCEPTED & AGREED this 27th day of September, 2016:


Authorized agent for the LLC's

092716 Scott Switzer /sh

Title Report



COMMITMENT FOR TITLE INSURANCE

Issued by

FIRST AMERICAN TITLE INSURANCE COMPANY

First American Title Insurance Company, herein called the Company, for valuable consideration, hereby commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the proposed Insured named in Schedule A, as owner or mortgagor of the estate or interest covered hereby in the land described or referred to in Schedule A, upon payment of the premiums and charges therefor; all subject to the provisions of Schedules A and B and to the Conditions and Stipulations hereof.

This Commitment shall be effective only when the identity of the proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A hereof by the Company, either at the time of the issuance of the Commitment or by subsequent endorsement.

This Commitment if preliminary to the issuance of such policy or policies of title insurance and all liability and obligations hereunder shall cease and terminate six (6) months after the effective date hereof or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue such policy or policies is not the fault of the Company. This Commitment shall not be valid or binding until countersigned by an authorized officer or agent.

IN WITNESS WHEREOF, the Company has caused this commitment to be signed, to become valid when countersigned by an authorized officer or agent of the Company, all in accordance with its By-Laws. This Commitment is effective as of the date shown in Schedule A as "Effective Date."

First American Title Insurance Company

Dennis J. Gilmore
President

Jeffrey S. Robinson
Secretary



***First American Title Insurance Company
National Commercial Services***

818 Stewart Street, Suite 800, Seattle, WA 98101
(206)728-0400 - (800)526-7544 FAX (206)448-6348

Lavonne Bowman
(206)615-3269
lavbowman@firstam.com

Jessica Bowerman
(206)615-3049
jbowerman@firstam.com

To: **Philips International**
295 Madison Avenue
New York, NY 10017

File No.: **NCS-811748-WA1**
Your Ref No.: **Thurston Co**

Attn: **Robyn Tuerk, Esq.**

SCHEDULE A

1. Commitment Date: September 02, 2016 at 7:30 A.M.

2. Policy or Policies to be issued:

	AMOUNT	PREMIUM	TAX
ALTA Standard Owner Policy	\$ To follow	\$	\$

Proposed Insured:
To follow

3. The estate or interest in the land described on Page 2 herein is **Fee Simple**, and title thereto is at the effective date hereof vested in:

645 Woodland, LLC, a Washington limited liability company as to Lot 10 of Parcel A and CDC Properties I, L.L.C., a Delaware limited liability company as to the remainder

4. The land referred to in this Commitment is described as follows:

The land referred to in this report is described in Exhibit "A" attached hereto.

EXHIBIT 'A'

LEGAL DESCRIPTION:

PARCEL A:

LOTS 10 AND 11 WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON.

PARCEL B:

PARCELS A AND B OF BOUNDARY LINE ADJUSTMENT NO. SS-BLA-6144 RECORDED UNDER RECORDING NO. [8709180126](#), RECORDS OF THURSTON COUNTY, WASHINGTON.

(BEING LOTS 12, 13 AND 14 WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON)

PARCEL C:

PARCEL A OF BOUNDARY LINE ADJUSTMENT NO. BLA-6196 RECORDED UNDER RECORDING NO. [9010160091](#), RECORDS OF THURSTON COUNTY, WASHINGTON.

(BEING LOTS 31 THROUGH 34 WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON)

PARCEL D:

LOTS 35 AND 36 OF WOODLAND SQUARE, AS PER PLAT RECORDED IN [VOLUME 20 OF PLATS, PAGES 103](#) AND 104, RECORDS OF THURSTON COUNTY, WASHINGTON.

PARCEL E:

LOTS 1 THROUGH 6 INCLUSIVE AND LOTS 9 THROUGH 16 INCLUSIVE, ALL IN TROSPER ADDITION TO TUMWATER, AS PER PLAT RECORDED IN [VOLUME 11 OF PLATS, PAGE 107](#), RECORDS OF THURSTON COUNTY, WASHINGTON;

EXCEPT THE SOUTH 18 FEET OF SAID LOT 6;

AND ALSO EXCEPT THOSE PORTIONS OF LOTS 1 AND 16 OF SAID PLAT CONVEYED TO THE CITY OF TUMWATER FOR STREET PURPOSES BY DEEDS RECORDED UNDER RECORDING NOS. 912527 AND 926019;

TOGETHER WITH THOSE PORTIONS OF VACATED MARKET STREET ABUTTING AND ADJOINING SAID LOTS VACATED BY ORDINANCE 515, RECORDED UNDER RECORDING NO. 775791, WHICH UPON VACATION REVERTED TO SAID PREMISES BY OPERATION OF LAW.

SCHEDULE B - SECTION 1
REQUIREMENTS

The following are the Requirements to be complied with:

- Item (A) Payment to or for the account of the Grantors or Mortgagors of the full consideration for the estate or interest to be insured.
- Item (B) Proper instrument(s) creating the estate or interest to be insured must be executed and duly filed for record.
- Item (C) Pay us the premiums, fees and charges for the policy.
- Item (D) You must tell us in writing the name of anyone not referred to in this Commitment who will get an interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions

SCHEDULE B - SECTION 2
GENERAL EXCEPTIONS

The Policy or Policies to be issued will contain Exceptions to the following unless the same are disposed of to the satisfaction of the Company.

- A. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
- B. Any facts, rights, interest, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of person in possession thereof.
- C. Easements, claims of easement or encumbrances which are not shown by the public records.
- D. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
- E. (1) Unpatented mining claims; (2) reservations or exceptions in patents or in acts authorizing the issuance thereof; (3) Water rights, claims or title to water; whether or not the matters excepted under (1), (2) or (3) are shown by the public records; (4) Indian Tribal Codes or Regulations, Indian Treaty or Aboriginal Rights, including easements or equitable servitudes.
- F. Any lien, or right to a lien, for services, labor, materials or medical assistance heretofore or hereafter furnished, imposed by law and not shown by the public records.
- G. Any service, installation, connection, maintenance, construction, tap or reimbursement charges/costs for sewer, water, garbage or electricity.
- H. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date the proposed insured acquires of record for value the estate or interest or mortgages thereon covered by this Commitment.

**SCHEDULE B - SECTION 2
(continued)
SPECIAL EXCEPTIONS**

1. Lien of the Real Estate Excise Sales Tax and Surcharge upon any sale of said premises, if unpaid. As of the date herein, the excise tax rate for the **City of Tumwater (Parcel E) and Lacey (the remainder)** is at **1.78%**.
Levy/Area Code: 440 and 241

For all transactions recorded on or after July 1, 2005:

- A fee of \$10.00 will be charged on all exempt transactions;
- A fee of \$5.00 will be charged on all taxable transactions in addition to the excise tax due.

2. Matters of extended owner/purchaser coverage which are dependent upon an inspection and an ALTA survey of the property for determination of insurability.

Please submit a copy of the ALTA Survey at your earliest convenience for review. Our inspection will be held pending our review of the ALTA Survey and the result of said inspection will be furnished by supplemental report.

3. Evidence of the authority of the individual(s) to execute the forthcoming document for 645 Woodland, LLC, a Washington limited liability company, copies of the current operating agreement should be submitted prior to closing.
4. Evidence of the authority of the individual(s) to execute the forthcoming document for CDC Properties I, L.L.C., a Delaware limited liability company, copies of the current operating agreement should be submitted prior to closing.
5. Title to vest in an incoming owner whose name is not disclosed. Such name must be furnished to us so that a name search may be made.
6. Unrecorded leaseholds, if any, rights of vendors and security agreement on personal property and rights of tenants, and secured parties to remove trade fixtures at the expiration of the term.
7. Prior to issuance of an extended coverage policy, the Company will require an Owner's Affidavit be completed and submitted to the Company for approval prior to closing. The Company reserves the right to make any additional requirement as warranted.

The Following Matters Affect Parcel A:

8. General Taxes for the year 2016.

Tax Account No.:	8499-00-01000
Amount Billed:	\$ 8,719.98
Amount Paid:	\$ 4,359.99
Amount Due:	\$ 4,359.99
Assessed Land Value:	\$ 262,400.00
Assessed Improvement Value:	\$ 426,900.00

(Affects Lot 10)

9. General Taxes for the year 2016.

Tax Account No.:	8499-00-01100
Amount Billed:	\$ 3,749.42
Amount Paid:	\$ 1,874.71
Amount Due:	\$ 1,874.71
Assessed Land Value:	\$ 262,350.00
Assessed Improvement Value:	\$ 33,600.00

(Affects Lot 11)

10. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

11. Easement, including terms and provisions contained therein:

Recording Information:	December 6, 1971 under Recording No. 856136
In Favor of:	National Guaranty Properties, Inc., a Washington corporation
For:	Utilities
Affects:	as described therein

12. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

13. Easement, including terms and provisions contained therein:

Recording Information:	September 3, 1985 under Recording No. 8509030026
In Favor of:	Puget Sound Power & Light Company
For:	Electric transmission and/or distribution system
Affects:	as described therein

14. Easement, including terms and provisions contained therein:

Recording Information:	September 10, 1987 under Recording No. 8709100109
In Favor of:	Washington Natural Gas Company
For:	Gas pipe lines
Affects:	as described therein

15. Deed of Trust and the terms and conditions thereof.

Grantor/Trustor:	CDC Properties I LLC
Grantee/Beneficiary:	Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns
Trustee:	First American Title Company
Amount:	\$43,257,500.00
Recorded:	October 1, 2004
Recording Information:	3677846 , 3677847 , 3677848 and 3677849

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788501](#), [3788502](#), [3788503](#), [3788504](#), [3788505](#) and [3788506](#) of Official Records.

Document(s) declaring modifications thereof recorded November 29, 2012 as [4303262](#) of Official Records.

A document recorded March 9, 2016 as [4490575](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509671](#) of Official Records.

16. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns
Recorded: October 1, 2004
Recording Information: [3677850](#) and [3677851](#)

According to the public records, the beneficial interest under the assignment of leases was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788501](#), [3788502](#), [3788503](#), [3788504](#), [3788505](#) and [3788506](#) of Official Records.

(Affects Lot 11)

17. A financing statement recorded October 6, 2004 as Recording No. [3679094](#) of Official Records.
Debtor: CDC Properties I LLC
Secured party: Merrill Lynch Mortgage Lending, Inc.

According to the public records, the security interest of the secured party was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by document recorded November 29, 2005 as Recording No. [3788517](#) of Official Records.

An amendment to the financing statement was recorded October 7, 2014 as [4412200](#) of Official Records.

(Affects Lot 11)

18. A lease dated February 25, 2008, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Licensing as lessee, for a term of 5 years recorded April 2, 2008 as [4000163](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lots 10 and 11)

19. A lease dated January 28, 2009, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded February 26, 2009 as [4062838](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 11 and other property)

20. A lease dated July 20, 2012, executed by 645 Woodland, LLC, a Washington limited liability company as lessor and State of Washington, Department of Licensing as lessee, for a term of 5 years recorded October 30, [2012 as 4297374](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 10)

21. A lease dated July 20, 2012, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Licensing as lessee, for a term of 5 years recorded October 30, 2012 as [4297375](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 11)

22. A lease dated April 4, 2014, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded September [2, 2014 as 4407084](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects Lot 11 and other property)

The Following Matters Affect Parcel B:

23. General Taxes for the year 2016.

Tax Account No.:	8499-00-01400
Amount Billed:	\$ 35,805.83
Amount Paid:	\$ 17,902.91
Amount Due:	\$ 17,902.92
Assessed Land Value:	\$ 383,550.00
Assessed Improvement Value:	\$ 2,449,200.00

(Affects Parcel A)

24. General Taxes for the year 2016.

Tax Account No.:	8499-00-01200
Amount Billed:	\$ 21,094.97
Amount Paid:	\$ 10,547.48
Amount Due:	\$ 10,547.49
Assessed Land Value:	\$ 321,700.00
Assessed Improvement Value:	\$ 1,346,900.00

(Affects Parcel B)

25. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

26. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

27. Easement, including terms and provisions contained therein:

Recording Information:	September 3, 1985 under Recording No. 8509030026
In Favor of:	Puget Sound Power & Light Company
For:	Electric transmission and/or distribution system
Affects:	as described therein

28. Easement, including terms and provisions contained therein:

Recording Information:	August 18, 1987 under Recording No. 8708180149
In Favor of:	Puget Sound Power & Light Company
For:	Electric transmission and/or distribution system
Affects:	as described therein

29. Easement, including terms and provisions contained therein:
Recording Information: September 10, 1987 under Recording No. [8709100109](#)
In Favor of: Washington Natural Gas Company
For: Gas pipe lines
Affects: Exterior 7 feet of all lots abutting street frontage
30. Terms, covenants, conditions and restrictions as contained in recorded Lot Line Adjustment (Boundary Line Revision) SS-BLA-6144 :
Recorded: September 18, 1987
Recording Information: [8709180126](#)
31. The terms and provisions contained in the document entitled Agreement and Waiver of Protest, executed by and between Rainier General, Inc., and City of Lacey, recorded March 30, 1988 as Instrument No. [8803300035](#) of Official Records.
32. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC, a Delaware limited liability company
Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677834](#), [3677835](#), [3677836](#) and [3677837](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788483](#), [3788484](#), [3788485](#), [3788486](#), [3788487](#) and [3788488](#) of Official Records.

A document recorded March 9, 2016 as [4490577](#) of Official Records provides that Rainier Foreclosure Services, Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509651](#) of Official Records.

(Affects Parcel A)

33. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677838](#) and [3677839](#)
- Assignment of Assignment of Leases and Rents:
Assignor: Merrill Lynch Mortgage Lending, Inc., a Delaware corporation
Assignee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recorded: November 29, 2005

Recording Nos.: [3788483, 3788484, 3788485, 3788486, 3788487 and 3788488](#)

(Affects Parcel A)

34. Deed of Trust and the terms and conditions thereof.

Grantor/Trustor: CDC Properties I LLC, a Delaware limited liability company
Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc., and their respective successors and assigns
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677840, 3677841, 3677842 and 3677843](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788489, 3788490, 3788491, 3788492, 3788493 and 3788494](#) of Official Records.

A document recorded March 9, 2016 as [4490573](#) of Official Records provides that Rainier Foreclosure Services, Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509650](#) of Official Records.

(Affects Parcel B)

35. Assignment of leases and/or rents and the terms and conditions thereof:

Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677844 and 3677845](#)

Assignment of Assignment of Leases and Rents:

Assignor: Merrill Lynch Mortgage Lending, Inc., a Delaware corporation
Assignee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recorded: November 29, 2005
Recording Nos.: [3788489, 3788490, 3788491, 3788492, 3788493 and 3788494](#)

(Affects Parcel B)

36. A document entitled "Perpetual Reciprocal Easement, Mutual Maintenance Agreement and Covenant Running with the Land", executed by and between CDC Properties II LLC, a Delaware limited liability company and Blake Office Park LLC, a Washington limited liability company recorded April 14, 2008, as Instrument No. [4002859, 4002860 and 4002861](#) of Official Records.

(Affects Parcel A)

37. A lease dated January 28, 2009, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded February 26, 2006 as [4062838](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects said premises and other property)

38. A lease dated August 9, 2011, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and State of Washington, Employment Security Department as lessee, for a term of 5 years recorded August 26, 2011 as [4225692](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

39. A lease dated April 4, 2014, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and State of Washington, Department of Corrections as lessee, for a term of 5 years recorded September 2, 2014 as [4407084](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects said premises and other property)

The Following Matters Affect Parcel C:

40. General Taxes for the year 2016.

Tax Account No.:	8499-00-03100
Amount Billed:	\$ 76,519.23
Amount Paid:	\$ 38,259.61
Amount Due:	\$ 38,259.62
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 5,712,500.00

(Affects Lot 31)

41. General Taxes for the year 2016.

Tax Account No.:	8499-00-03200
Amount Billed:	\$ 5,205.21
Amount Paid:	\$ 2,602.60
Amount Due:	\$ 2,602.61
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 69,000.00

(Affects Lot 32)

42. General Taxes for the year 2016.

Tax Account No.:	8499-00-03300
Amount Billed:	\$ 5,568.50
Amount Paid:	\$ 2,784.25
Amount Due:	\$ 2,784.25
Assessed Land Value:	\$ 373,000.00
Assessed Improvement Value:	\$ 66,900.00

(Affects Lot 33)

43. General Taxes for the year 2016.

Tax Account No.:	8499-00-03400
Amount Billed:	\$ 5,425.71
Amount Paid:	\$ 2,712.85
Amount Due:	\$ 2,712.86
Assessed Land Value:	\$ 373,000.00
Assessed Improvement Value:	\$ 55,600.00

(Affects Lot 34)

44. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

45. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said Plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

46. Easement, including terms and provisions contained therein:
Recording Information: September 3, 1985 under Recording No. [8509030026](#)
In Favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution system
Affects: as described therein
47. Easement, including terms and provisions contained therein:
Recording Information: September 10, 1987 under Recording No. [8709100109](#)
In Favor of: Washington Natural Gas Company
For: Gas pipe lines
Affects: as described therein
48. Terms, covenants, conditions and restrictions as contained in recorded Lot Line Adjustment (Boundary Line Revision) BLA No. BLA - 6196 :
Recorded: October 16, 1990
Recording Information: [9010160091](#)
49. Easement, including terms and provisions contained therein:
Recording Information: June 17, 1999 under Recording No. [3237665](#)
In Favor of: City of Lacey
For: Utilities
Affects: as described therein
50. A lease dated April 30, 2001, executed by Capital Development Company as lessor and State of Washington, Gambling Commission as lessee, for a term of 10 years recorded June 6, 2001 as Recording No. [3357438](#) of Official Records.
- Said lease, among other things provides for an option to renew for a period of 1 additional five year term.
- Document(s) declaring modifications thereof recorded as [3515647](#), [3695550](#), [3702397](#) and [3745306](#) of Official Records.
51. Easement, including terms and provisions contained therein:
Recording Information: August 17, 2001 under Recording No. [3373010](#)
In Favor of: City of Lacey
For: Utilities
Affects: as described therein
52. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC, a Delaware limited liability company

Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc.
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677822, 3677823, 3677824 and 3677825](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005- MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788495, 3788496, 3788497, 3788498, 3788499 and 3788500](#) of Official Records.

A document recorded March 9, 2016 as [4490578](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509652](#) of Official Records.

53. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC., a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677826 and 3677827](#)

Assignment of Assignment of Leases and Rents and Security Deposits:
Assignor: Merrill Lynch Mortgage Lending, Inc.
Assignee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005- MCP1
Recording Date: November 29, 2005
Recording Nos: [3788495, 3788496, 3788497, 3788498, 3788499 and 3788500](#)

54. Subordination, non-disturbance and attornment agreements:
Between Merrill Lynch Mortgage Lending, Inc.
And CDC Properties I, LLC
Recorded February 16, 2005
Recording Nos.: [3709712 and 3709713](#)

55. A lease dated November 30, 2005, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Services for the Blind, acting through the Department of General Administration as lessee, for a term of 5 years, 7 months recorded March 8, 2006 as Recording No. [3813420](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

56. A lease dated November 30, 2005, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Social and Health Services, acting through the Department of General Administration as lessee, for a term of 5 years & 7 months recorded March 8, 2006 as Recording No. [3813421](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

57. A lease dated August 18, 2006, executed by CDC Properties I, LLC and CDC Properties II, LLC., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Early Learning, acting through the Department of General Administration as lessee, for a term of 5 years recorded September 6, 2006 as Recording No. [3862862](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

58. A lease dated August 18, 2006, executed by CDC Properties I, LLC and CDC Properties II, LLC as lessor and State of Washington Department of Early Learning as lessee, for a term of 5 years recorded September 20, 2006 as [3866708](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

Document(s) declaring modifications thereof recorded September 13, 2007 as [3957547](#) of Official Records.

59. A lease dated October 6, 2006, executed by CDC Properties I, LLC., a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and The State of Washington, Department of Revenue, acting through the Department of General Administration as lessee, for a term of 5 years recorded January 8, 2007 as Recording No. [3893390](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

60. A lease dated March 28, 2007, executed by CDC Properties I, LLC and CDC Properties II, LLC., its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Department of Social and Health Services, acting through the Department of General Administration as lessee, for a term of 5 years recorded April 26, 2007 as Recording No. [3921776](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

61. A lease dated July 20, 2007, executed by CDC Properties I, L.L.C., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953398](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

62. A lease dated July 20, 2007, executed by CDC Properties I, L.L.C., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953399](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

63. A lease dated July 20, 2007, executed by CDC Properties I, L.L.C., a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953400](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

64. A lease dated July 19, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company and CDC Properties II, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors and assigns as lessor and The State of Washington, Health Care Authority, acting through the Department of General Administration as lessee, for a term of 5 years recorded September 18, 2007 as Recording No. [3958584](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of 1 additional period of 5 years.

Affects: The land and other property.

Document(s) declaring modifications thereof recorded March 3, 2009 as [4064210](#) of Official Records.

65. A lease dated March 10, 2009, executed by State of Washington, Health Care Authority as lessor and State of Washington, Employment Security Department as lessee, for a term of 3 years recorded April 23, 2009 as [4076435](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

66. A lease dated May 21, 2009, executed by CDC Properties I, LLC as lessor and State of Washington, Sentencing Guidelines Commission as lessee, for a term of 5 years recorded June 18, 2009 as [4091170](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

67. A lease dated June 9, 2010, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 5 years recorded July 20, 2010 as [4160983](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

Document(s) declaring modifications thereof recorded April 18, 2011 as [4206949](#) of Official Records.

68. A lease dated August 9, 2011, executed by CDC Properties I, LLC as lessor and State of Washington, Employment Security Department as lessee, for a term of 5 years recorded August 26, 2011 as [4225692](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises and other property)

69. A lease dated December 13, 2011, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Services for the Blind as lessee, for a term of 5 years recorded May 29, 2012 as [4268098](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

70. A lease dated March 2, 2012, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 5 years recorded May 29, 2012 as [4268100](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

71. A lease dated June 4, 2014, executed by CDC Properties I, LLC as lessor and State of Washington, Department of Services for the Blind as lessee, for a term of 5 years recorded August 11, 2014 as [4404014](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

(Affects a portion of said premises)

72. A lease dated September 16, 2014, executed by State of Washington, Employment Security Department as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 2 years recorded November 19, 2014 as [4417955](#) of Official Records.

(Affects a portion of said premises and other property)

The Following Matters Affect Parcel D:

73. General Taxes for the year 2016.

Tax Account No.:	8499-00-03500
Amount Billed:	\$ 5,094.01
Amount Paid:	\$ 2,547.00
Amount Due:	\$ 2,547.01
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 60,200.00

(Affects Lot 35)

74. General Taxes for the year 2016.

Tax Account No.:	8499-00-03600
Amount Billed:	\$ 89,839.35
Amount Paid:	\$ 44,919.67
Amount Due:	\$ 44,919.68
Assessed Land Value:	\$ 342,150.00
Assessed Improvement Value:	\$ 6,766,600.00

(Affects Lot 36)

75. City liens, if any, for the City of Lacey.

Note: An inquiry has NOT been made concerning the actual status of such liens.

76. Restrictions, conditions, dedications, notes, easements and provisions, if any, as contained and/or delineated on the face of the plat of Woodland Square recorded in [Volume 20 of Plats, Pages 103](#) and 104, in Thurston County, Washington.

The easements as reserved on the face of said Plat were partially released by documents recorded February 25, 2003 under Recording No. [3506502](#).

77. Easement, including terms and provisions contained therein:

Recording Information:	September 3, 1985 under Recording No. 8509030026
In Favor of:	Puget Sound Power & Light Company, a Washington corporation
For:	Electric transmission and/or distribution system
Affects:	as described therein

78. Easement, including terms and provisions contained therein:

Recording Information:	September 10, 1987 under Recording No. 8709100109
In Favor of:	Washington Natural Gas Company, its successors and assigns
For:	Gas pipe lines
Affects:	as described therein

79. Easement, including terms and provisions contained therein:
Recording Information: June 17, 1999 under Recording No. [3237665](#)
In Favor of: City of Lacey, a municipal corporation
For: Utilities
Affects: as described therein
80. Easement, including terms and provisions contained therein:
Recording Information: March 2, 2000 under Recording No. [3281842](#)
In Favor of: Puget Sound Energy, Inc., a Washington corporation
For: Transmission, distribution and sale of gas and electricity
Affects: (Lot 36) as described therein

81. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC
Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc.
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677816, 3677817, 3677818 and 3677819](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788507, 3788508, 3788509, 3788510, 3788511 and 3788512](#) of Official Records.

A document recorded March 9, 2016 as [4490574](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509649](#) of Official Records.

82. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677820 and 3677821](#)

Assignment of Assignment of Leases and/or Rents:

Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Wells Fargo Bank, N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recorded: November 29, 2005
Recording Nos.: [3788507, 3788508, 3788509, 3788510, 3788511 and 3788512](#)

83. A lease dated July 20, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and State of Washington, Employment Security Department, acting through the Department of General

Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953398](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of an additional term of 5 years.

Affects: The land and other property.

84. A lease dated July 20, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953399](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of an additional term of 5 years.

Affects: The land and other property.

85. A lease dated July 20, 2007, executed by CDC Properties I, LLC, a Delaware limited liability company, its heirs, executors, administrators, successors, and assigns as lessor and State of Washington, Employment Security Department, acting through the Department of General Administration as lessee, for a term of 5 years recorded August 27, 2007 as Recording No. [3953400](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of an additional term of 5 years.

Affects: The land and other property.

86. A lease dated June 9, 2010, executed by CDC Properties I, LLC and CDC Properties II, LLC as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 5 years recorded July 20, 2010 as [4160983](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

Affects: The land and other property.

Document(s) declaring modifications thereof recorded April 18, 2011 as [4206949](#) of Official Records.

87. A lease dated August 9, 2011, executed by CDC Properties I, LLC, a Delaware limited liability company as lessor and State of Washington, Employment Security Department as lessee, for a term of 5 years recorded August 26, 2011 as [4225692](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year term.

Affects: The land and other property.

88. A lease dated September 16, 2014, executed by State of Washington, Employment Security Department as lessor and State of Washington, Department of Social and Health Services as lessee, for a term of 2 years recorded November 19, 2014 as [4417955](#) of Official Records.

Affects: The land and other property.

The Following Matters Affect Parcel E:

89. General Taxes for the year 2016.
Tax Account No.: 8040-00-00100
Amount Billed: \$ 95,406.23
Amount Paid: \$ 47,703.11
Amount Due: \$ 47,703.12
Assessed Land Value: \$ 955,950.00
Assessed Improvement Value: \$ 6,086,200.00
90. City liens, if any, for the city of Lacey.
Note: An inquiry has NOT been made concerning the actual status of such liens.
91. Easement, including terms and provisions contained therein:
Recording Information: [592302](#)
In Favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution system
Affects: as described therein
92. Easement, including terms and provisions contained therein:
Recording Information: [679183](#)
In Favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution system
Affects: as described therein
93. The terms, provisions and easement(s) contained in the document entitled "Easement Agreement" recorded March 21, 1986 as Recording No. [8603210099](#) of Official Records.
94. A lease dated January 15, 2002, executed by Capital Development Company, for its heirs, executors, administrators, successors, and assigns as lessor and The State of Washington Office of the Insurance Commissioner, acting through the Department of General Administration as lessee, for a term of 12 years recorded February 27, 2002 as Recording No. [3415237](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of an additional 5 years.

Document(s) declaring modifications thereof recorded October 14, 2002 and February 17, 2005 as [3468958](#) and [3709860](#) of Official Records.
95. Easement, including terms and provisions contained therein:
Recording Information: May 21, 2002 under Recording No. [3435511](#)
In Favor of: City of Tumwater
For: Water main
Affects: 15 foot wide strips

96. Deed of Trust and the terms and conditions thereof.
Grantor/Trustor: CDC Properties I LLC
Grantee/Beneficiary: Merrill Lynch Mortgage Lending, Inc.
Trustee: First American Title Company
Amount: \$43,257,500.00
Recorded: October 1, 2004
Recording Information: [3677828, 3677829, 3677830 and 3677831](#)

According to the public records, the beneficial interest under the deed of trust was assigned to Wells Fargo Bank, N.A., as Trustee for the registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass- Through Certificates, Series 2005-MCP1 by assignment recorded November 29, 2005 as Recording Nos. [3788477, 3788478, 3788479, 3788480, 3788481 and 3788482](#) of Official Records.

A document recorded March 9, 2016 as [4490576](#) of Official Records provides that Rainier Foreclosure Services Inc. was substituted as trustee under the deed of trust.

A notice of trustee's sale recorded July 5, 2016 as [4509645](#) of Official Records.

97. Assignment of leases and/or rents and the terms and conditions thereof:
Assignor: CDC Properties I LLC, a Delaware limited liability company
Assignee: Merrill Lynch Mortgage Lending, Inc.
Recorded: October 1, 2004
Recording Information: [3677832 and 3677833](#)

Assignment of Assignment of Leases and Rents:

Assignor: Merrill Lynch Mortgage Lending, Inc.
Assignee: Wells Fargo Bank, N.A., as Trustee for the registered holders of Merrill Lynch Mortgage Trust 2005-MCP1, Commercial Mortgage Pass-Through Certificates, Series 2005-MCP1
Recording Nos: [3788477, 3788478, 3788479, 3788480, 3788481 and 3788482](#)
Recording Date: November 29, 2005

98. Subordination, non-disturbance and attornment agreements:
Between Merrill Lynch Mortgage Lending, Inc.
And CDC Properties I, LLC
Recorded February 16, 2005
Recording Nos.: [3709708 and 3709709](#)

99. A lease dated April 5, 2012, executed by CDC Properties I LLC, a Delaware limited liability company as lessor and The State of Washington Office of the Insurance Commissioner, acting through the Department of Enterprise services as lessee, for a term of 5 years recorded may 29, 2012 as [4268097](#) of Official Records.

Said lease, among other things provides for an option to renew for a period of one 5-year period.

INFORMATIONAL NOTES

- A. Effective January 1, 1997, and pursuant to amendment of Washington State Statutes relating to standardization of recorded documents, the following format and content requirements must be met. Failure to comply may result in rejection of the document by the recorder.
- B. Any sketch attached hereto is done so as a courtesy only and is not part of any title commitment or policy. It is furnished solely for the purpose of assisting in locating the premises and First American expressly disclaims any liability which may result from reliance made upon it.
- C. The description can be abbreviated as suggested below if necessary to meet standardization requirements. The full text of the description must appear in the document(s) to be insured.
- Lots 10-14, 31-36, Woodland Square, [Vol. 20, P. 103](#) & 104
Parcels A-B BLA No. SS-BLA-6144, Rec. [8709180126](#)
Parcel A, BLA No. BLA - 6196, Rec. [9010160091](#)
Ptn Lots 1-6 & 9-16, Trosper Add., [Vol. 11, P. 107](#)
- D. A fee will be charged upon the cancellation of this Commitment pursuant to the Washington State Insurance Code and the filed Rate Schedule of the Company.

END OF SCHEDULE B



First American Title Insurance Company
National Commercial Services

COMMITMENT
Conditions and Stipulations

1. The term "mortgage" when used herein shall include deed of trust, trust deed, or other security instrument.
2. If the proposed Insured has or acquires actual knowledge of a defect, lien, encumbrance, adverse claim or other matter affecting the estate or interest or mortgage thereon covered by this Commitment, other than those shown in Schedule B hereof, and shall fail to disclose such knowledge to the Company in writing, the Company shall be relieved from liability for any loss or damage resulting from any act or reliance hereon to the extent the Company is prejudiced by failure to so disclose such knowledge. If the proposed Insured shall disclose such knowledge to the Company, or if the Company otherwise acquires actual knowledge of any such defect, lien, encumbrance, adverse claim or other matter, the Company at its option, may amend Schedule B of this Commitment accordingly, but such amendment shall not relieve the Company from liability previously incurred pursuant to paragraph 3 of these Conditions and Stipulations.
3. Liability of the Company under this Commitment shall be only to the named proposed Insured and such parties included under the definition of Insured in the form of Policy or Policies committed for, and only for actual loss incurred in reliance hereon in undertaking in good faith (a) to comply with the requirements hereof, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by this Commitment. In no event shall such liability exceed the amount stated in Schedule A for the Policy or Policies committed for and such liability is subject to the Insuring provisions, exclusion from coverage, and the Conditions and Stipulations of the form of Policy or Policies committed for in favor of the proposed Insured which are hereby incorporated by references, and are made a part of this Commitment except as expressly modified herein.
4. Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest or the lien of the Insured mortgage covered hereby or any action asserting such claim, shall be restricted to the provisions and Conditions and Stipulations of this Commitment.

The First American Corporation
First American Title Insurance Company
National Commercial Services
PRIVACY POLICY

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values, a copy of which can be found on our website at www.firstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

© 2001 The First American Corporation - All Rights Reserved

Improvement Schedule

DESCRIPTION	Budgeted	629	5000	637	645	4565	640	1620	8830	805	TOTAL
TENANT IMPROVEMENTS ESD (Draw 1 of 3 - Total Ti: \$360,000) ESD (Draw 2 of 3 - Total Ti: \$360,000) ESD (Draw 3 of 3 - Total Ti: \$360,000)	August September October						\$ 120,000.00 \$ 120,000.00 \$ 120,000.00				\$ 120,000.00 \$ 120,000.00 \$ 120,000.00
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 360,000.00	\$ -	\$ -	\$ -	\$ 360,000.00
LANDLORD WORK Floors 1-4 (Draw 1 of 3 - Total Landlord Work: \$1,351,965) Floors 1-4 (Draw 2 of 3 - Total Landlord Work: \$1,351,965) Floors 1-4 (Draw 3 of 3 - Total Landlord Work: \$1,351,965)	July August September						\$ 450,654.75 \$ 450,654.75 \$ 450,654.75				\$ 450,654.75 \$ 450,654.75 \$ 450,654.75
	August August						\$ 77,842.88 \$ 153,926.07				\$ 77,842.88 \$ 153,926.07
	August September October August		\$ 63,626.13 \$ 63,626.13 \$ 63,626.13						\$ 50,000.00		\$ 63,626.13 \$ 63,626.13 \$ 63,626.13 \$ 50,000.00
TOTAL: Tenant Improvements		\$ -	\$ 190,878.38	\$ -	\$ -	\$ -	\$ 1,583,733.20	\$ -	\$ 50,000.00	\$ -	\$ 1,824,611.58
BUILDING IMPROVEMENTS Demo Floors 1-4 (Draw 1 of 3 - Total: \$300,000) Demo Floors 1-4 (Draw 2 of 3 - Total: \$300,000) Demo Floors 1-4 (Draw 3 of 3 - Total: \$300,000) Roof Replacement Fluid Cooler Replacement (50% Down) Fluid Cooler Replacement (Final) Roof Replacement (Draw 1 of 2 - Total \$185,000) Roof Replacement (Draw 2 of 2 - Total \$185,000) Roof Replacement for 640 lower roof Building Envelope Repairs from mold issue	August September October August August September August September October September	\$ 100,000.00 \$ 100,000.00 \$ 100,000.00 \$ 400,000.00 \$ 400,000.00						\$ 165,000.00		\$ 92,500.00 \$ 92,500.00	\$ - \$ 100,000.00 \$ 100,000.00 \$ 165,000.00 \$ 400,000.00 \$ 400,000.00 \$ 92,500.00 \$ 92,500.00 \$ 100,650.00 \$ 150,000.00 \$ -
		\$ 1,100,000.00	\$ -	\$ -	\$ -	\$ -	\$ 250,650.00	\$ 165,000.00	\$ -	\$ 185,000.00	\$ 1,700,650.00
							\$ 170,838.33				\$ 170,838.33
						\$ 17,653.73 \$ 9,581.91					\$ 17,653.73 \$ 9,581.91
		\$ -	\$ -	\$ -	\$ -	\$ 27,235.64	\$ 170,838.33	\$ -	\$ -	\$ -	\$ 198,073.97
		\$ 1,100,000.00	\$ 190,878.38	\$ -	\$ -	\$ 27,235.64	\$ 2,365,221.53	\$ 165,000.00	\$ 50,000.00	\$ 185,000.00	\$ 4,083,335.55
TOTAL: Building Improvements		\$ 1,100,000.00	\$ -	\$ -	\$ -	\$ -	\$ 250,650.00	\$ 165,000.00	\$ -	\$ 185,000.00	\$ 1,700,650.00
Leasing Commissions 640 Bldg - Lease Commission-ESD 4565 Bldg - Lease Commission-DSHS/DVR 4565 Bldg - Lease Commission-Dept. Svcs Blind											
							\$ 170,838.33				\$ 170,838.33
						\$ 17,653.73 \$ 9,581.91					\$ 17,653.73 \$ 9,581.91
		\$ -	\$ -	\$ -	\$ -	\$ 27,235.64	\$ 170,838.33	\$ -	\$ -	\$ -	\$ 198,073.97
TOTAL: Capital Costs		\$ 1,100,000.00	\$ 190,878.38	\$ -	\$ -	\$ 27,235.64	\$ 2,365,221.53	\$ 165,000.00	\$ 50,000.00	\$ 185,000.00	\$ 4,083,335.55

Receivership Letter

Date: July 21, 2016

To: David Bornheimer, Senior Vice President, Midland Loan Services as servicer for Plaintiff, Wells Fargo Bank N.A. as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1 Commercial Pass-Through Certificates, Series 2005-MCP1 Plaintiff, U.S. Bank, N.A., as Successor-Trustee to LaSalle Bank National Association, as Trustee for the benefit of the Certificate Holders of Commercial Mortgage Pass-Through Certificates, Series MCCMT 2004-C2 D
Defendant, CDC Properties I, LLC
And Interested Parties

From: Edward Velton, Receiver, JSH Properties, Inc.

Re: CDC Properties I, LLC, Cause No. 16-2-10797-4-KNT
Receiver's Monthly Report: June 2016

Procedural Background:

On May 19, 2016, pursuant to the request by Wells Fargo Bank N.A., as Trustee for the Registered Holders of Merrill Lynch Mortgage Trust 2005-MCP1 Commercial Pass-Through Certificates, Series 2005-MCP1 ("Wells Fargo") and U.S. Bank, N.A., as Successor-Trustee to LaSalle Bank National Association as Trustee for the Benefit of the Certificate Holders of Commercial Mortgage Pass-Through Certificates, Series MCCMT 2004-C2 ("U.S. Bank" and collectively with Wells Fargo, "Plaintiffs"), this Court entered an Order Appointing Custodial Receiver (Order), under which JSH Properties, Inc. (Receiver) was appointed custodial receiver to take charge of the assets relating to the properties:

- 1620 South Pioneer Way, Moses Lake, Washington 98837
- 805 S. Mission Street, Wenatchee, Washington 98801
- 629 Woodland Square Loop SE, Lacey, Washington 98503
- 637 Woodland Square Loop SE, Lacey, Washington 98503
- 640 Woodland Square Loop SE, Lacey, Washington 98503
- 645 Woodland Square Loop SE, Lacey, Washington 98503
- 4565 7th Avenue South, Lacey, Washington 98503
- 5000 Capitol Boulevard, Tumwater, Washington 98502
- 8830 25th Avenue SW, Seattle, Washington 98106

Receivership commenced on May 19, 2016. In accordance with Paragraph 3.4.2 of Order, Receiver submits the following report for May 2016.

Receivership Property:

The Properties over which Receiver has been appointed are as follows:

- 1620 South Pioneer Way, Moses Lake, Washington 98837
Type: Office
Tenant: Vacant
Occupied: 0%
- 805 S. Mission Street, Wenatchee, Washington 98801
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Social Health Services)
Occupied: 100%
- 629 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: Vacant
Occupied: 0%
- 637 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Corrections)
Occupied: 100%
- 640 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: 1 Tenant (State of Washington, Employment Security Department)
Occupied: 96.6%
- 645 Woodland Square Loop SE, Lacey, Washington 98503
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Licensing)
Occupied: 100%
- 4565 7th Avenue South, Lacey, Washington 98503
Type: Office
Tenant: 3 Tenant (State of Washington, Gambling Commission, Department of Social Health Services, and Department of Services for the Blind)
Occupied: 87.6%
- 5000 Capitol Boulevard, Tumwater, Washington 98502
Type: Office
Tenant: 1 Tenant (State of Washington, Office of the Insurance Commissioner)
Occupied: 100%
- 8830 25th Avenue SW, Seattle, Washington 98106
Type: Office
Tenant: 1 Tenant (State of Washington, Department of Licensing)
Occupied: 100%

Status of Receivership:

1. Bond: Upon appointment Pursuant to Paragraph 3.2 of Order, Receiver posted a bond with Farmers Insurance Group in the amount of \$10,000, Bond No. #LSM0785717, issued by RLI Insurance Company.
2. Bank Account: Pursuant to Paragraph 3.4.1 of Order, Receiver established a bank account, at Umpqua Bank, Bellevue, WA branch (#XXXXXX4077). As of June 30, 2016, the bank account balance was \$414,079.33.

<u>JUNE 2016</u>	Debit	Credit	TOTAL
Deposits:			
- Deposit from Tenants	\$ 367,873.31		
- Owner Contribution	\$ -		
TOTAL Deposits	\$ 367,873.31		<u>\$ 367,873.31</u>
Withdrawals:			
- Receiver Fee		\$ 5,400.00	
- Operating Expenses		\$ 120,596.99	
- Utilities		\$ 44,430.64	
- Other Expenses		\$ -	
- Gen & Admin		\$ 1,804.04	
TOTAL Withdrawals		\$ 172,231.67	<u>\$ 172,231.67</u>
NET INCOME			<u>\$ 195,641.64</u>
ADJUSTMENTS			
- Tenant Improvements		\$ 706.26	
- Owner Contributions	\$ 214,340.14		
TOTAL Adjustments			<u>\$ 213,633.88</u>
MONTHLY CASH FLOW	JUNE 2016		<u>\$ 409,275.52</u>
BEGINNING CASH BALANCE			\$ 4,803.81
ENDING CASH BALANCE			\$ 414,079.33

3. Receiver's Counsel: Pursuant to Paragraph 3.3.5 of Order, Receiver hired counsel to assist Receiver in this matter. Receiver's counsel is Charles E. Shigley of Alston Courtneage and Bassetti LLP, located at 1420 – 5th Avenue, Suite 3650, Seattle, WA 98101.
4. Appointment of Jennifer Bell as Property Manager: To assist Receiver, Jennifer Bell has been appointed as the senior property manager (PM) for the portfolio. Jennifer has over twenty years of experience in commercial property management.

5. Operations and Maintenance

Site inspections of properties revealed numerous deferred maintenance items. The comprehensive list of deferred maintenance items are in the 2016 operating budget that was submitted on July 6, 2016.

The following maintenance items have been scheduled in June and are anticipated to be completed and paid for in the month of July.

○ **1620 Pioneer Way, Moses Lake, Washington 98837**

- Locks & Security – Rekeyed all building exterior doors that contained key ways.
- HVAC R&M – Miscellaneous repairs to Unit 9, 18 15, 17, 10, 11 & 19. Repairs to include new compressor, fan motor, refrigerant and belts. Performed preventative maintenance on all of the rooftop HVAC units.
- Electrical R&M – Removed abandoned low voltage cabling. Repaired some of the electrical due to it not meeting code and potentially being a fire hazard. Removed power poles and associated low voltage cabling and changed all burnt out lamps and non-functioning ballasts.
- Fire Safety R&M – Replaced the fire alarm control panel, installed a new alarm panel and installed a new annunciator panel. Tested and tagged all past due fire extinguishers. Performed a fire alarm panel test.
- Landscape R&M – Prepared seed bed and re-seeded the turf with blue grass and perennial rye. Thatched and aerated the turf. Hauled and removed trash containers, concrete table/benches. Removed seven (7) dead plum trees, pruned shrubs, weeded/barked beds and activated the irrigation system.

○ **805 S. Mission Street, Wenatchee, Washington 98801**

- Landscape Maintenance – Initial cleanup of property (weed, prune, trim and remove debris).
- HVAC R&M – Reset all Carrier economizers and mechanical cooling and ensure that all damper motors are functioning. Purchased HVAC supplies (filters, evaporator coil and v-belt). Changed filters, belts and cleaned the coils on the rooftop HVAC equipment.
- Fire Safety R&M – Replaced fire alarm control panel, pull stations, smoke detectors and horn strobes. Conducted the annual fire alarm panel test, wet pipe fire sprinkler test and backflow assembly test.

○ **629 Woodland Square Loop SE, Lacey, Washington 98503**

- Landscape Maintenance – Clean-up in West parking lot (prune trees/shrubs, remove selected shrubs, spray vegetation, rake/dispose leaves in planting bed and blow parking lot). Installed 20 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
- Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-striped the parking lot.
- Fire Safety R&M – Annual wet sprinkler test.
- Roof Maintenance – Includes painting of rusted sheet metal flashings and painting of rusted gas line.
- Elevator – Commenced Labor of Industries code work to remove the red tag.

- **637 Woodland Square Loop SE, Lacey, Washington 98503**
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-striped the parking lot.
 - Fire Safety R&M – Annual wet sprinkler and backflow assembly test.
 - Landscape Maintenance – Pruned old ivy growth, installed 15 yards of bark, irrigation start up and sprinkler head repairs for the turf area and beds around the building.
 - Roof Maintenance – Installed missing rise block protection pads.

- **640 Woodland Square Loop SE, Lacey, Washington 98503 (640/4565 have a shared HVAC plant)**
 - HVAC – Replaced sheaves and belts for both fan motors on Fluid Cooler #1 and Fluid Cooler #2; Cleaning of Fluid Cooler #1 and Fluid Cooler #2; Installed additional seismic bracing on the condenser water piping; Repairs to HVAC Unit #1-#7 (1st Floor)
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-striped the parking lot.
 - Fire Safety R&M – Annual wet sprinkler and backflow assembly test.
 - Landscape Maintenance – Pruned old ivy growth, installed 50 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
 - Consulting Services – OAC has been contracted to investigate the source of water intrusion and provide a report with their findings. Coordination with PBS Engineering & Environmental will take place for the remediation and permanent fix.
 - Consulting Services – PBS Engineering & Environmental has been contracted to assess conditions fungal abatement spec.

- **645 Woodland Square Loop SE, Lacey, Washington 98503**
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-striped the parking lot.
 - Landscape Maintenance – Installed 10 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
 - Roof Maintenance – Painted existing gas line and install block pads under gas/electrical conduit to provide membrane protection.

- **4565 7th Avenue SE, Lacey, Washington 98503 (640/4565 have a shared HVAC plant)**
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-striped the parking lot.
 - Landscape Maintenance – Pruned old ivy growth, installed 55 yards of bark, irrigation start-up and sprinkler head repairs for the turf area and beds around the building.
 - Fire Safety R&M – Annual fire extinguisher and backflow assembly test.
 - Roof Maintenance – Applied sealant to storm collar and top of pipe; reseal and paint duct work.

- **5000 Capitol Boulevard, Tumwater, Washington 98502**
 - Roof Maintenance – Installed block pad and painted rusted gas line on the roof.
 - Fire Safety R&M – Performed annual wet sprinkler, backflow assembly and fire extinguisher test.
 - Parking lot/Grounds – Cleaned catch basins and jetted lines (storm drain cleaning). Swept the parking lot and re-striped the parking lot.
 - HVAC R&M – HVAC compressor was replaced for one of the rooftop units.
- **8830 25th Avenue SW, Seattle, Washington 98106**
 - Fire Safety R&M – Performed annual fire extinguisher test.

6. Site Visits:

Property management site visits to the properties are as follows:

- 8830 25th Avenue SW, Seattle, WA – June 15th
- 805 S. Mission Street, Wenatchee, WA – June 13th
- 1620 S. Pioneer Way, Moses Lake, WA – June 14th
- Lacey and Tumwater Properties – June 2nd, 6th, 10th, 16th, 20th and 24th

7. Management of Property:

Pursuant to Paragraph 3.3.4 of Order, on June 3, 2016, Receiver/PM submitted a 30-day draft budget to Midland Loan Services, a PNC Real Estate business. A draft budget for July 2016 through December 2016 was submitted to Midland Services on July 6th.

8. Marketing/Leasing of Property:

Pursuant to Paragraph 3.4.4 of Order, Receiver is authorized to market the Property to obtain new tenants for current vacant space(s) and discuss renewal options.

- **1620 S Pioneer Way, Moses Lake, Washington 98837**
Vacant – We have initiated discussions with the Moses Lake school district who is interested in leasing the building as an early learning center.
- **629 Woodland Square Loop SE, Lacey, Washington 98503**
Vacant – Working to bring the building to a leasable condition before offering to tenants.
- **640 Woodland Square Loop SE, Lacey, Washington 98503**
Employment Security Department – Lease has been renewed as follows:
Term: 5 Years (07/01/2016 – 06/30/2021)
RSF: 70,449
Rent: \$113,892.55 per month ⁽¹⁾

⁽¹⁾ The Lessee shall not be required to pay the rental rate increase referenced in Paragraph 4 above until all of the work requested by Lessee in Additional Lease Provision paragraph 19 has been completed by Lessor. Until all such work is completed and approved by Lessee, the rate of \$113,360.17 per month, as required under SRL 11-0037 shall continue in effect.

- **645 Woodland Square Loop SE, Lacey, Washington 98503**
Department of Licensing - Tenant has requested parking lot repairs. Tenant wants to discuss a five (5) year extension. Additional deferred maintenance remediation will be required. Tenant is developing a scope of work.

- **4565 7th Avenue South, Lacey, Washington 98503**
Gambling Commission – Tenant is relocating to a nearby building. They want a larger 1st floor space for their gambling lab. Tenant has requested a six-month extension while their new space is completed.
DSHS-DVAR – Tenant is proposing six months free rent. Landlord to remedy deferred maintenance. We expect to focus on this extension later this week.
Department of Services of the Blind – Tenant is requesting a five (5) year extension. Tenant hasn't made a proposal other than requiring Landlord to remedy deferred maintenance. This extension will become a priority this week after we complete the Insurance Commissioner and EDS leases.

- **5000 Capitol Boulevard, Tumwater, Washington 98502**
Office of the Insurance Commissioner – Lease is negotiated and work is priced. Lease renewal is with Lender for approval.

- **8830 25th Avenue SW, Seattle, Washington 98106**
Department of Licensing – Landlord is working on completing the Deferred Maintenance List that is attached to the last lease renewal that was signed in March 2016.

Dated this 21st, day of July, 2016



By:

Edward Velton
Receiver

Encl: As stated

Floor Plans



Floor Summary		SQ. FT.
Total Occupant Area		16,469
Floor Service Area	0	
Building Service Area	0	
Total Vertical	448	

Occupant		Suite #
Office Space	16,021	

Area Analysis performed in accordance with ANSI/BOMA Z65.1 - 2010 Method A Standard.

Appraisers' Experience Data



David M. Chudzik, Ph.D., MAI

Vice President

Valuation Advisory Services

CAREER SUMMARY

Since joining Kidder Mathews' Valuation Advisory Services in October of 2004, David has provided valuation and consultation services for a wide variety of commercial property types including office, industrial, retail, multi-family, hospitality, marina and development properties. His experience includes complex properties like biotechnology research facilities, data centers, sawmills, shipyards, and other specialized property types. He has performed biotechnology valuation and market analysis on a national basis and authored the National Biotechnology Real Estate Market Analysis for GVA Worldwide. Assignments have included valuation of leasehold interests, air rights, condemnation compensation, conservation easements as well as market rent studies.

David's professional experience includes venture capital investing with emphasis in the life sciences industry. He has also worked as a development analyst and project manager at Seattle area real estate development companies. His development experience includes multi-family residential, commercial office, and marina developments.

David brings unique qualifications to real estate valuation and consulting making him well-qualified in the analysis of some of the most complex and sophisticated real estate.

601 Union St, Suite 4720
Seattle, WA 98101

T 206.205.0222

F 206.205.0220

dchudzik@kiddermathews.com

EDUCATION

- Doctor of Philosophy, Biochemistry, University of Washington
- Master of Business Administration, Management, University of Washington
- Bachelor of Science, Biochemistry, University of Washington
- Bachelor of Arts, Spanish, University of Washington

PROFESSIONAL LICENSES

- Washington Certified General Real Estate Appraiser (No. 1102099)
- Oregon Certified General Real Estate Appraiser (No. C00182)

AFFILIATION

Member of Appraisal Institute (MAI)

David Chudzik, Ph.D., MAI continued

PARTIAL CLIENT LIST

Allstate Life Insurance Co.	KeyBank	Puget Sound Bank
Alexandria Real Estate Equities	King County	Puget Western
Archdiocese of Seattle	Low Income Housing Institute	San Juan County Land Bank
Bank of America	Memorial Medical Center	Schnitzer West
BECU	Merrill Lynch	Seattle BioMed
Bloch Properties	Morgan Stanley	Seattle Monorail Project
Citibank	Morton McGoldrick, PS	Server Farm Realty
City of Seattle	Moss Adams	Stockbridge Capital Group
City of Renton	National Real Estate Advisors	Todd Shipyards
Davis Wright Tremaine	Nexus Properties	Unico Properties
East West Bank	Northwest Diabetes Research Center	Union Bank
First Sound Bank	Northwest Kidney Center	University of Washington
First Mutual Bank	Novartis	US Bancorp
GE Capital	Olympus Real Estate Partners	Vulcan Real Estate
H5 Capital	Overlake Medical Center	Washington Federal
Heritage Bank	Perkins Coie	Washington Trust Bank
Jefferson County	Port of Port Townsend	Wells Fargo
JPMorgan Chase Bank	Portland State University	

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION



THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER

DAVID MATTHEW CHUDZIK
7047 51ST AVENUE NE
SEATTLE WA 98115

1102099

License Number

03/17/2011

Issued Date

11/02/2018

Expiration Date

Pat Kohler
Pat Kohler, Director



Crosby Nordblom
Associate Appraiser
Valuation Advisory Services

CAREER SUMMARY

Crosby Nordblom is an associate appraiser that joined the Valuation Services division of Kidder Mathews in November of 2015.

Prior to joining Kidder Mathews, Crosby worked for CBRE Group, Inc. in Seattle where he started off in commercial property management.

601 Union St, Suite 4720
Seattle, WA 98101
T 206.205.0209
F 206.205.0220
crosbyn@kiddermathews.com
.....

EDUCATION

Bachelor of Arts, Economics, Colorado College

STATE CERTIFICATION

Crosby is a registered real estate appraiser trainee in Washington State (License No. 1001854).

APPRAISAL COURSEWORK

- Uniform Standards of Professional Appraisal Practice, Appraisal Institute – 2015
- Basic Appraisal Principals, Appraisal Institute – 2015
- Basic Appraisal Procedures, Appraisal Institute – 2015
- Supervisor-Trainee Course for Washington, McKissock – 2015

PROFESSIONAL AFFILIATIONS

- Practicing Affiliate of the Appraisal Institute, Member No. 593374

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT TRE PERSON NAMED HEREON IS AUTHORIZED, AS PROVIDED BY LAW, AS A



STATE REGISTERED REAL ESTATE APPRAISER TRAINEE

CROSBY VAN CURAN NORDBLOM
503 N BOWDOIN PLACE
SEATTLE WA 98103

Cert/Lic No.
1001854

Issued Date
12/23/2015

Expiration Date
02/28/2017


Pat Kohler, Director